NYANDENI

LOCAL MUNICIPALITY

Building a better future with the people

Nyandeni Local Municipality
(Demarcation code EC155)
Annual Financial Statements
for the year ended 30 June 2025

Table of Contents

The reports and statements set out below comprise the annual financial statements presented to the councillors:

Abbreviations

DORA	Division of Revenue Act
EPWP	Expanded Public Works Programme
GRAP	Generally Recognised Accounting Practice
LGSETA	Local Government Services Sector Education and Training Authority
MFMA	Municipal Finance Management Act
LED	Local Econonic Development
MIG	Municipal Infrastructure Grant
INEG	Integrated National Electrification Grant
NLM	Nyandeni Local Municipality
PAYE	Pay As You Earn
PPE	Property, Plant and Equipment
SETA	Sector Education and Training Authority
SALGA	South African Local Government Association
SARS	South African Revenue Services
SCM	Supply Chain Management
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
mSCOA	Municipal Standard Chart of Accounts
GFS	Government Finance Statistics
A/R	Access road
MM	Municipal Manager
SM	Senior Manager
EIA	Environmental Impact Grant
HSG	Human Settlement Grant
NT	National Treasury
WIP	Work-In-Progress
CFO	Chief Financial Officer
ICT	Information Communication Technology
MPAC	Municipal Public Accounts Committee

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of services (refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Legislation governing the entity's operations	The Constitution of the Republic of South Africa,1996 The Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) The Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004) Municipal Fiscal Powers and Functions Act, 2007 (Act 12 of 2007) Local Government: Municipal Demarcation Act, 1998 (Act 27 of 1998) Intergovernmental Relations Framework Act, 2005 (Act 13 of 2005) Division of Revenue Act (Act 1 of 2007)

Mayor and chairperson of executive commitee

Portfolio	**Councillor**
Honourable Mayor and chairperson of mayoral committee	Cllr B. V. Ndamase
Speaker	Cllr S. Gaxeni (Acting start date: 01-09-2023)
	Cllr S. Gaxeni (Newly elected 01-12-2023)
	Cllr M. R. Mtobela (Deceased: 01-09-2023)
Council WIP	Cllr N. Yehana
Portfolio Head Budget & Treasury	Cllr N. Jim
Portfolio Head Planning, Research and IGR	Cllr A. M. Vuthela
Portfolio Head Infrastructure Development	Cllr Z. Mevana
Portfolio Head Community Services & Public Safety	Cllr T.Matika-Mcube
Portfolio Head Corporate Services	Cllr S. Mbiyozo
Portfolio Head LED & Rural Development	Cllr P. Matinise
Portfolio Head Human Settlement, Spatial Planning & Disaster Management	Cllr N. Tyopo
Portfolio Head Special Programs Unit	Cllr S. Ntinta
Mayor's Office	Cllr Z. Nondlevu
Section 79 Councillors	Cllr F. Gaxeni (Last day in office: 31-10-2023)
	Cllr M. Mketo (Newly elected: 01-11-2023)
	Cllr Z. Hibhane
	Cllr Z. Mchithakali
	Cllr N. Nonkothama

General Information

Council Members

Nr	Surname	Initials	Nr	Surname	Initials
1	Cllr Danisa	N	2	Cllr Dlani	X.H
3	Cllr Jama	N. N	4	Cllr Langa	M
5	Cllr Mabungela	J	6	Cllr Madolo	S.B
7	Cllr Majikija	T	8	Cllr Malindi	B
9	Cllr Mapolisa (Last day in office: 28-02-2025)	Z	10	Cllr Maseko	M.K
11	Cllr Matanda	N. P	12	Cllr Mbusi	V.G
13	Cllr Matomela	Z	14	Cllr Mavume	S.
15	Cllr Mbiyozo	S	16	Cllr Mbodloyi	F
17	Cllr Mrawushe	Z	18	Cllr Mketo	L.M
19	Cllr Mdlungu	N	20	Cllr Nodaza	P
21	Cllr Mfakanye	G	22	Cllr Mhlana	N
23	Cllr Mjajubana	N. G	24	Cllr Mkwelanga	N.G
25	Cllr Ngangaza	S. N	26	Cllr Noxaka	D
27	Cllr Nazo	C	28	Cllr Ntoza	N.P
29	Cllr Nonkonyana	N	30	Cllr Tatani	K
31	Cllr Diko	N. E	32	Cllr Vanda	L.M
33	Cllr Vutela	A. M	34	Cllr Zondani	V.B
35	Cllr Mjajubana	N	36	Cllr Yolwa	P.P
37	Cllr Nomatiti	A	38	Cllr Mkhosana	M.T
39	Cllr Gebhu	M	40	Cllr Mpongwana	L
41	Cllr Ntshunguzi	A	42	Cllr Jiba	N
43	Cllr Tshatshela	L	44	Cllr Molose	N
45	Cllr Nomandela	M. Z	46	Cllr Mjulwa	A
47	Cllr Zihlangu	N	48	Cllr Matiwane	Z.R
49	Cllr Mkentane	C. N	50	Cllr Peter	N
51	Chief Malahle	N	52	Chief Ndamase	H
53	Cllr Madwantsi	P	54	Cllr Mlamli (Started on 01-04-2025)	M

Senior Management

Position	Name
Municipal Manager	Mr. S. Mvunelo (Acting start date: 02-05-2024)
	Mr. S. Mvunelo (Start date: 01-09-2024)
	Mr. S. V. Poswa (Acting start date: 01-12-2024)
Chief Financial Officer	Mr. L Manjingolo
Senior Manager Community Services	Rev. J. Sikhuni
Senior Manager Corporate Services	Mrs. T. Ndamase-Tshisa (Acting start date: 02-05-2024 until permanently employed 01-06-2025)
Senior Manager Infrastructure	Mr. S. Nkcithiso (Start date: 01-11-2024)
	Mr. J. Yengane (Acting start date: 01-11-2023)
Senior Manager Planning and Development	Mr. G. N. Cekwana
Senior Manager Operations	Mr. S. V. Poswa
	Ms. G. N. Kolwane (Acting start date: 01-12-2024)

Members of the Audit Commitee

Chairperson	Ms. N. M. Hlongwane (Start date: 01-02-2025)

General Information

Member	Dr. N. Mzamo (Start date: 01-02-2025)
Member	Mr. M. Manxiwa (Start date: 01-02-2025)
Member	Ms. B. Gova (start date: 5-10-2023)
Chairperson	Mrs. N. Ntshanga (term ended 31-12-2024)
Member	Mr. C. Sparg (term ended 31-12-2024)
Member	Mr. S. Ntapane (term ended 31-12-2024)
Member	Ms. S. Lehlehla (term ended 19-07-2023)

Grading of local authority 3

Registered head office
BN Nomandela drive
Libode
5160

Postal address
Private Bag X 504
Libode
5160

Telephone 047 555 5000

Fax 047 555 0202

Bankers
First National Bank, Mthatha
Standard Bank, Mthatha

Auditors Office of the Auditor General (Eastern Cape)

Attorneys
Taleni Godi Kupiso Incorporated (Appointment date: 02-06-2025)
N. Nompendana and Associates (Appointment date: 02-06-2025)
Msitshana and Associates (Appointment date: 02-06-2025)
Luzipho Attorneys (Appointed ended 31-05-2025)
Tonise Attorneys (Appointed ended 31-05-2025)
Teleni Godi Inc (Appointed ended 31-05-2025)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

The annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent management judgements and estimates.

I, as the accounting officer acknowledges that i am ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable us to meet these responsibilities, we have set standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. In the year under review , the systems of internal control have been boosted by municipal ICT infrastructure upgrade and migration. The improved firewall protections, access protocols, encryptions and password complexities have enabled the accounting officer to fulfil this responsibility. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operational risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

I am of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. This assurance is further supported by the fact that all MSCOA version and patch upgrades were implemented in line with National Treasury's requirements. However, any system of internal financial control can provide only reasonable, and not absolute assurance against material misstatement or deficit.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 34 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Governments determination in accordance with the Act.

The annual financial statements set out on pages 6 to 107, which have been prepared on the going concern basis, were approved and signed by the Accounting Officer:

S. V. Poswa
Acting Municipal Manager

Sunday, 31 August 2025

Statement of Financial Position as at 30 June 2025

	Note(s)	2025 R	2024 Restated* R
Assets			
Current Assets			
Cash and cash equivalents	3	554 671 574	515 439 016
Trade and other receivables from exchange transactions	4	232 200	171 078
Statutory receivables	5	10 811 558	14 502 227
Inventories	6	1 922 597	1 870 888
VAT Receivable	7	8 418 603	6 551 003
Construction contracts receivables	8	46 380 154	1 826 724
Total Current Assets		**622 436 686**	**540 360 936**
Non-Current Assets			
Investment property	9	92 898 700	89 941 400
Property, plant and equipment	10	885 074 908	802 051 552
Intangible assets	12	2 069 621	1 511 784
Total Non-Current Assets		**980 043 229**	**893 504 736**
Total Assets		**1 602 479 915**	**1 433 865 672**
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	13	33 406 401	9 852 709
Unspent conditional grant	14	26 578 240	63 570 498
Income received in advanced	15	2 867 968	2 319 738
Retentions	16	44 804 638	26 845 108
VAT Payable	17	370 145	11 255 838
Employee benefits	18	19 977 191	20 046 244
Provisions	19	2 748 356	898 450
Total Current Liabilities		**130 752 939**	**134 788 585**
Non-Current Liabilities			
Employee benefits	18	8 477 000	6 518 000
Provisions	19	5 700 117	6 626 267
Finance lease liabilities	20	306 599	684 009
Total Non-Current Liabilities		**14 483 716**	**13 828 276**
Total Liabilities		**145 236 655**	**148 616 861**
Net Assets		**1 457 243 260**	**1 285 248 811**
Community Wealth / Equity			
Accumulated surplus		1 457 243 268	1 285 248 807

* See Note 60

Statement of Financial Performance

	Note(s)	2025 R	2024 Restated* R
Revenue			
Exchange Revenue			
Services charges – Waste management	21	711 147	647 043
Rental of facilities, land and equipment	22	315 850	40 660
Interests earned from investments	23	51 327 122	46 426 082
Interest earned from receivables	24	278 459	209 168
Licence and permits	25	4 113 575	2 623 072
Agency services	26	1 026 892	1 038 162
Operational revenue	27	539 273	1 612 429
Sales of goods and rendering of services	28	538 940	474 737
Construction Contract Revenue	29	77 330 938	29 059 926
Total Exchange Revenue		**136 182 196**	**82 131 279**
Non-Exchange Revenue			
Property rates	30	15 639 378	20 114 155
Transfers and subsidies – Operational	31	357 119 365	337 563 715
Transfers and subsidies – Capital	31	141 221 445	75 713 458
Fines, penalties and forfeits	32	400 325	304 657
Interest earned from receivables	24	4 277 001	3 425 242
Donations	63	78 413	60 000
Total Non-Exchange Revenue		**518 735 927**	**437 181 227**
Total Revenue		**654 918 123**	**519 312 506**
Expenditure			
Employee related cost	33	184 673 246	169 403 872
Remuneration of councillors	34	27 361 018	26 415 660
Depreciation and amortisation	35	57 893 680	52 287 804
Impairment losses / (reversal) of impairment	36	18 036 809	1 909 484
Finance cost	37	1 915 664	1 847 802
Inventory consumed	38	4 653 887	5 800 685
Debt impairment	39	7 749 699	10 589 823
Contracted services	40	32 511 933	36 424 485
Transfers and subsidies	41	5 458 598	17 024 201
General expenses	42	67 355 201	60 954 376
Operating leases	43	160 883	258 425
Construction contract cost	44	77 330 939	29 059 935
Total Expenditure		**485 101 557**	**411 976 552**
Operating Surplus		**169 816 566**	**107 335 954**
Loss on disposal of assets and wet fuel	45	(2 147 666)	(13 286 537)
Fair value adjustment	46	2 957 300	4 546 900
Inventory (write-down)	47	(202 747)	(71 758)
Actuarial gains/Losses	48	1 571 000	1 528 000
Surplus for the year		**171 994 453**	**100 052 559**

* See Note 60

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	1 185 124 212	1 185 124 212
Adjustments		
Correction of error (note 60)	72 044	72 044
Balance at 01 July 2023 as restated*	**1 185 196 256**	**1 185 196 256**
Surplus for the year	100 052 559	100 052 559
Adjustment to 2023-2024 surplus	2 851 963	2 851 963
Surplus 2023-2024 previously stated	102 904 522	102 904 522
Restated* Balance at 01 July 2024	**1 285 248 815**	**1 285 248 815**
Surplus for the year	171 994 453	171 994 453
Total changes	171 994 453	171 994 453
Balance at 30 June 2025	**1 457 243 268**	**1 457 243 268**

Note(s)

* See Note 60

Cash Flow Statement

	Note(s)	2025 R	2024 Restated* R
Cash flows from operating activities			
Receipts			
Property rates		13 292 977	12 043 252
Service charges		2 638 272	2 174 765
Other receipts		39 132 509	33 400 770
Transfers and Subsidies		461 348 552	471 377 026
Interest		52 755 884	47 302 013
Fines, penalties and forfeits		121 845	129 700
Payments			
Employee costs		(208 573 317)	(193 730 692)
Interest		(123 213)	(10)
Suppliers		(164 547 922)	(141 380 191)
Taxes (VAT)		(11 102 450)	(1 269 221)
Net cash from(used) operating activities	50	**184 943 137**	**230 047 412**
Cash flows from investing activities			
Receipts			
Proceeds on disposal of fixed and intangible assets		(1 307)	179 904
Payments			
Property, Plant and equipment		(144 407 305)	(139 192 747)
Intangible Assets		(924 554)	(33 434)
Net cash flows from investing activities		**(145 333 166)**	**(139 046 277)**
Cash flows from financing activities			
Payments			
Repayment of finance leases		(377 410)	(393 011)
Net cash flows from financing activities		**(377 410)**	**(393 011)**
Net increase/(decrease) in cash		**39 232 561**	**90 608 124**
Cash and cash equivalents at beginning of the year		515 439 016	424 830 892
		554 671 577	**515 439 016**

* See Note 60

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Reason for the material variance
	R	R	R	R	R	R	R	
2025								
Financial performance								
Revenue								
Exchange revenue								
Service charges - Waste Management	433 080	(56 489)	376 591	376 591	711 147	334 556	188,84 %	FinPerf1
Sale of goods and rendering of services and contract revenue	745 214	17 752 797	18 498 011	18 498 011	77 869 879	59 371 868	420,96 %	FinPerf2
Agency services	1 741 326	(227 129)	1 514 197	1 514 197	1 026 892	(487 305)	67,82 %	FinPerf3
Interest earned from receivables	110 460	-	110 460	110 460	278 459	167 999	252,09 %	FinPerf4
Interest earned from current and non current assets	45 264 071	1 414 732	46 678 803	46 678 803	51 327 122	4 648 319	109,96 %	FinPerf5
Rent on land	209 800	(27 365)	182 435	182 435	289 661	107 226	158,77 %	FinPerf6
Rental from fixed assets	20 980	(2 737)	18 243	18 243	26 189	7 946	143,56 %	FinPerf7
Licence and permits	4 628 489	-	4 628 489	4 628 489	4 019 044	(609 445)	86,83 %	FinPerf8
Operational revenue	314 700	(41 048)	273 652	273 652	539 274	265 622	197,07 %	FinPerf9
	53 468 120	**18 812 761**	**72 280 881**	**72 280 881**	**136 087 667**	**63 806 786**	**188,28 %**	
Non-exchange revenue								
Property rates	21 034 232	58 212	21 092 444	21 092 444	15 639 380	(5 453 064)	74,15 %	FinPerf10
Fines, penalties and forfeits	461 942	-	461 942	461 942	400 325	(61 617)	86,66 %	FinPerf11
Licences or permits	132 055	(17 225)	114 830	114 830	94 531	(20 299)	82,32 %	FinPerf12
Transfer and subsidies	413 932 742	2 638 914	416 571 656	416 571 656	357 119 365	(59 452 291)	85,73 %	FinPerf13
Interest	1 628 300	-	1 628 300	1 628 300	4 277 001	2 648 701	262,67 %	FinPerf14
Gains on disposal of assets	-	10 490	10 490	10 490	4 528 300	4 517 810	43 167,78 %	FinPerf15
	437 189 271	**2 690 391**	**439 879 662**	**439 879 662**	**382 058 902**	**(57 820 760)**	**86,86 %**	
Total Revenue (excl. capital transfers and contributions)	**490 657 391**	**21 503 152**	**512 160 543**	**512 160 543**	**518 146 569**	**5 986 026**	**101,17 %**	

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Reason for the material variance
	R	R	R	R	R	R	R	R
Expenditure								
Employee costs	(207 054 059)	619 626	(206 434 433)	(206 434 433)	(184 673 247)	21 761 186	89,46 %	FinPerf16
Remuneration of councillors	(29 310 728)	(1 114 126)	(30 424 854)	(30 424 854)	(27 361 018)	3 063 836	89,93 %	FinPerf17
Inventory consumed	(11 022 535)	1 475 091	(9 547 444)	(9 547 444)	(4 653 887)	4 893 557	48,74 %	FinPerf18
Debt impairment	(212 237)	13 646 671	13 434 434	13 434 434	(7 749 699)	(21 184 133)	(57,69)%	FinPerf19
Depreciation and amortisation	(61 610 212)	(3 130 782)	(64 740 994)	(64 740 994)	(75 930 488)	(11 189 494)	117,28 %	FinPerf20
Contracted services	(83 895 394)	(3 535 930)	(87 431 324)	(87 431 324)	(110 495 912)	(23 064 588)	126,38 %	FinPerf21
Transfers and subsidies	(59 817 174)	(8 186 536)	(68 003 710)	(68 003 710)	(5 499 753)	62 503 957	8,09 %	FinPerf22
Irrecoverable debts written off	(7 113 624)	-	(7 113 624)	(7 113 624)	-	7 113 624	- %	FinPerf23
Operational costs	(67 631 090)	(12 488 302)	(80 119 392)	(80 119 392)	(69 431 748)	10 687 644	86,66 %	FinPerf24
Other Losses	-	-	-	-	(2 350 413)	(2 350 413)	- %	
Total Expenditure	**(527 667 053)**	**(12 714 288)**	**(540 381 341)**	**(540 381 341)**	**(488 146 165)**	**52 235 176**	**90,33 %**	
Surplus	**(37 009 662)**	**8 788 864**	**(28 220 798)**	**(28 220 798)**	**30 000 404**	**58 221 202**	**(106,31)%**	
Transfers and subsidies - capital (monetary allocations)	104 031 050	57 929 322	161 960 372	161 960 372	141 221 446	(20 738 926)	87,20 %	FinPerf25
Donations received	-	-	-	-	78 413	78 413	- %	FinPerf26
Surplus for the year	**67 021 388**	**66 718 186**	**133 739 574**	**133 739 574**	**171 300 263**	**37 560 689**	**128,08 %**	
Financial position								
Assets								
Current assets								
Cash and cash equivalents	205 862 870	(45 793 791)	160 069 079	160 069 079	554 671 574	394 602 495	346,52 %	FinPos1
Trade and other receivables from exchange transactions	2 364 201	-	2 364 201	2 364 201	232 200	(2 132 001)	9,82 %	FinPos2
Receivables from non-exchange transactions	10 076 535	(37 806)	10 038 729	10 038 729	10 811 558	772 829	107,70 %	FinPos3
Inventory	606 091	-	606 091	606 091	1 922 597	1 316 506	317,21 %	FinPos4
VAT	11 588 725	-	11 588 725	11 588 725	8 418 603	(3 170 122)	72,64 %	FinPos5

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Reason for the material variance
	R	R	R	R	R	R	R	R
Construction contracts receivables	(419 923)	-	(419 923)	(419 923)	46 380 154	46 800 077	(11 044,92)%	FinPos6
Total current assets	**230 078 499**	**(45 831 597)**	**184 246 902**	**184 246 902**	**622 436 686**	**438 189 784**	**337,83 %**	
Non-current assets								
Investment property	80 800 800	-	80 800 800	80 800 800	92 898 700	12 097 900	114,97 %	FinPos7
Property, plant and equipment	805 997 148	72 331 724	878 328 872	878 328 872	885 074 908	6 746 036	100,77 %	FinPos8
Intangible assets	1 558 606	1 747 795	3 306 401	3 306 401	2 069 621	(1 236 780)	62,59 %	FinPos9
Total non-current assets	**888 356 554**	**74 079 519**	**962 436 073**	**962 436 073**	**980 043 229**	**17 607 156**	**101,83 %**	
Total assets	**1 118 435 053**	**28 247 922**	**1 146 682 975**	**1 146 682 975**	**1 602 479 915**	**455 796 940**	**139,75 %**	
Liabilities								
Current liabilities								
Financial liabilities	145 752	-	145 752	145 752	-	(145 752)	- %	FinPos10
Trade and other payables from exchange transactions	(92 078 847)	(16 848 972)	(108 927 819)	(108 927 819)	(81 079 007)	27 848 812	74,43 %	FinPos11
Trade and other payables from non-exchange transactions	(6 019 869)	(7 440 237)	(13 460 106)	(13 460 106)	(26 578 240)	(13 118 134)	197,46 %	FinPos12
Provision	1 960 557	-	1 960 557	1 960 557	(22 725 547)	(24 686 104)	(1 159,14)%	FinPos13
VAT	8 626 358	(7 113 624)	1 512 734	1 512 734	(370 145)	(1 882 879)	(24,47)%	FinPos14
Total current liabilities	**(87 366 049)**	**(31 402 833)**	**(118 768 882)**	**(118 768 882)**	**(130 752 939)**	**(11 984 057)**	**110,09 %**	
Non-current liabilities								
Financial liabilities	1 326	-	1 326	1 326	(306 599)	(307 925)	(23 122,10)%	FinPos15
Other non-current liabilities	10 464 640	-	10 464 640	10 464 640	(14 177 117)	(24 641 757)	(135,48)%	FinPos16
Total non-current liabilities	**10 465 966**	**-**	**10 465 966**	**10 465 966**	**(14 483 716)**	**(24 949 682)**	**(138,39)%**	
Total liabilities	**(76 900 083)**	**(31 402 833)**	**(108 302 916)**	**(108 302 916)**	**(145 236 655)**	**(36 933 739)**	**134,10 %**	
Net assets	**1 195 335 136**	**59 650 755**	**1 254 985 891**	**1 254 985 891**	**1 747 716 570**	**492 730 679**	**139,26 %**	

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Reason for the material variance
	R	R	R	R	R	R	R	R
Community wealth/ Equity								
Accumulated Surplus/(Deficit)	1 189 940 836	67 326 882	1 257 267 718	1 257 267 718	1 457 250 760	199 983 042	115,91 %	
Reserves	5 394 300	-	5 394 300	5 394 300	-	(5 394 300)	- %	
Total current community wealth/ equity	**1 195 335 136**	**67 326 882**	**1 262 662 018**	**1 262 662 018**	**1 457 250 760**	**194 588 742**	**115,41 %**	
Cash flow								
Cash flow from operating activities								
Receipts								
Property rates	16 764 367	16 377 799	33 142 166	33 142 166	19 916 379	(13 225 787)	60,09 %	C1
Service charges	433 080	(156 098)	276 982	276 982	4 927 664	4 650 682	1 779,06 %	C2
Other revenue	15 838 761	(37 928 570)	(22 089 809)	(22 089 809)	13 189 818	35 279 627	(59,71)%	C3
Transfers and Subsidies - Operational	303 380 231	4 796 857	308 177 088	308 177 088	357 385 380	49 208 292	115,97 %	C4
Transfers and Subsidies - Capital	104 031 050	57 529 322	161 560 372	161 560 372	135 498 107	(26 062 265)	83,87 %	C5
Interest	45 264 071	1 414 732	46 678 803	46 678 803	51 327 122	4 648 319	109,96 %	C6
	485 711 560	**42 034 042**	**527 745 602**	**527 745 602**	**582 244 470**	**54 498 868**	**110,33 %**	
Payments								
Suppliers and employees	(474 257 753)	(29 595 105)	(503 852 858)	(503 852 858)	(390 398 257)	113 454 601	77,48 %	C7
Finance charges	-	-	-	-	(1 915 664)	(1 915 664)	- %	C8
Transfers and subsidies	-	(20 813 895)	(20 813 895)	(20 813 895)	(4 782 371)	16 031 524	22,98 %	C9
	(474 257 753)	**(50 409 000)**	**(524 666 753)**	**(524 666 753)**	**(397 096 292)**	**127 570 461**	**75,69 %**	
Net cash from/(used) operating activities	**11 453 807**	**(8 374 958)**	**3 078 849**	**3 078 849**	**185 148 178**	**182 069 329**	**6 013,55 %**	
Cash flow from investing activities								
Receipts								
Proceeds on disposal of PPE	-	10 490	10 490	10 490	(2 147 667)	(2 158 157)	(20 473,47)%	C9

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Reason for the material variance
	R	R	R	R	R	R	R	R
Payments								
Capital assets	(154 445 511)	(69 289 826)	(223 735 337)	(223 735 337)	(141 474 880)	82 260 457	63,23 %	C10
Net cash from/(used) investing activities	**(154 445 511)**	**(69 279 336)**	**(223 724 847)**	**(223 724 847)**	**(143 622 547)**	**80 102 300**	**64,20 %**	
Cash flow from financing activities								
Payments								
Repayment of borrowing	(308 134)	-	(308 134)	(308 134)	(2 293 074)	(1 984 940)	744,18 %	C11
Net Increase/ (Decrease) in cash held	**(143 299 838)**	**(77 654 294)**	**(220 954 132)**	**(220 954 132)**	**39 232 557**	**260 186 689**	**(17,76)%**	
Cash/cash equivalents at the year begin:	336 892 594	-	336 892 594	336 892 594	515 439 016	178 546 422	153,00 %	C12
Cash/cash equivalents at the year end:	193 592 756	(77 654 294)	115 938 462	115 938 462	554 671 573	438 733 111	478,42 %	C13

Accounting Policies

1. Significant accounting policies

1.1 Going concern assumption

These annual financial statements were prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and estimates

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

The municipality assesses its trade receivables, loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment for trade receivables is considered first for individually significant receivables and then calculated on a portfolio basis, for the remaining balance, including those individually significant receivables for which no indicators of impairment were found. For amounts due to the municipality, significant financial difficulties of the receivable, probabillity that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items.

Fair value estimation

The quoted market price used for financial assets held by the municipality is the current bid price.
The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.
The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.
The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Provisions

Provisions were raised and management determined an estimate based on the information available. The provision is discounted when the time value of money is material. Additional disclosure of these estimates of provisions are included in note 19 - Provisions

Post-retirement benefits

The present value of the post-retirement and other long term benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.
The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.
Other key assumptions for post retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in Note 18.

1.2 Significant judgements and estimates (continued)

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Subsequent measurement – fair value model

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises. If the entity determines that the fair value of an investment property is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Accounting Policies

1.4 Property, plant and equipment (continued)

Initial recognition and measurement

Property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the entity. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components} of property, plant and equipment.

Major spare parts and servicing equipment qualify as property, plant and equipment when the entity expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Depreciation

Item	Depreciation method	Average useful life
Land and Buildings	Straight-line	7-34 years
Machinery and Equipment	Straight-line	2-50 years
Transport assets	Straight-line	5-10 years
Furniture and Office equipment	Straight-line	2-17 years
Computer Equipment	Straight-line	2-14 years
Infrastructure	Straight-line	2-100 years
Community assets	Straight-line	5-50 years

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset’s future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

1.4 Property, plant and equipment (continued)

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.5 Intangible assets

Initial recognition and measurement

Intangible assets are initially recognised at cost. The cost of an intangible assets is the purchase price and other costs attributable to bring the intangible assets to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible assets is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date. Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- here are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight-line	5 years

1.5 Intangible assets (continued)

Subsequent measurement

Amortisation is calculated on cost, using the straight-line method, over the useful lives of the assets, which is estimated to be between 3 to 5 years upon initial recognition. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Intangible assets are annually tested for impairment and the estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

An identifiable non-monetary asset without physical substance. An asset is a recource that is controlled by the entity as a result of past events (for example purchase or self-creation) and from which future economics benefits (inflows of cash or other assets) are expected.

An asset is identifiable if it either:

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12).

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The amortisation charge for each period is recognised in surplus or deficit.

1.6 Financial instruments

A financial instrument is recognised if the entity becomes a party to the contractual provisions of the instrument.

1.6.1 Classification of financial instruments

Financial assets

A financial asset is any asset that is a cash or contractual right to receive cash.

Financial asset at amortised cost being a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

The municipality has the following types of financial assets as reflected on the face of the Statement of financial position or in the notes thereto:

Type of financial asset	Classification in terms of GRAP 104
Receivables from exchange transactions	Financial assets at amortised cost
Cash and cash equivalents	Financial assets at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets at amortised cost.

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The following main categories of financial liabilities and the classification determining how they are measured exist:
- Financial liabilities measured at amortised cost; or
- Financial liabilities measured at fair value.

The municipality has the following types of financial liabilities as reflected on the face of the Statement of financial position or in the notes thereto:

1.6 Financial instruments (continued)

Type of financial liability	Classification in terms of GRAP 104
Payables from exchange transactions	Financial liability at amortised cost
Payables from non-exchange transactions	Financial liability at amortised cost
Retentions	Financial liability at amortised cost

Any other financial liabilities should be classified as financial liabilities at amortised cost.

1.6.2 Initial and subsequent measurement

Initial recognition and measurement

A financial instruments is recognised, when the municipality becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instruments not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instruments are added or deducted from the fair value, as appropriate on initial recognition.

Subsequent measurement – Financial assets

Receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

A provision for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Changes in the carrying amount of the provision is recognised in the Statement of financial performance. When a receivable is considered uncollectible, it is written off against the provision.

Residual interests that do not have a quoted market price in an active market, and the fair value of which cannot be reliably are subsequently measured at cost less any impairment. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Any calculated impairment is recognised in the Statement of financial performance.

Financial assets at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial assets. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to entity and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial assets at amortised cost.

Financial assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of financial performance.

Accounting Policies

1.6 Financial instruments (continued)

Subsequent measurement – Financial liabilities

These liabilities are subsequently measured at amortised cost, using the effective interest rate method. Finance costs are expensed in the Statement of financial performance in the period in which they are incurred except where stated otherwise (see accounting policy on borrowing costs).

Any other financial liabilities classified at amortised cost (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of financial performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

1.6.3 Impairment of financial assets

Trade receivables

Trade receivables are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

Other debtors

Other debtors are reviewed individually considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.

Long-term debtors

Housing loans

The loans in this group are assessed by reviewing their payment histories and ratios. Provision for impairment is made accordingly.

Other long-term loans

No provision for impairment is made for Other long-term loans, because it is envisaged that these debts will be fully recovered.

Other financial assets at amortised cost are assessed individually for impairment.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of financial performance.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of financial performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Accounting Policies

1.6 Financial instruments (continued)

1.6.4 Derecognition

Financial assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial assets, the municipality continues to recognise the financial assets and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The municipality derecognises financial liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

1.6.5 Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instruments is not active, the municipality establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs.

1.7 Statutory receivables

1.7.1 Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

The municipality has the following major categories under the ambit of statutory receivables:
- Rates debtors
- Traffic fine debtors

1.7.2 Recognition

The municipality recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

1.7.3 Measurement

The municipality initially measures statutory receivables at their transaction amount.

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

1.7 Statutory receivables (continued)

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the accounting policy on Revenue from exchange transactions or the accounting policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled to levy additional charges in terms of legislation, supporting regulations, by-laws or similar means on overdue or unpaid amounts, these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (taxes and transfers).

1.7.4 Impairment

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, an municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

1.7.5 Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

1.7 Statutory receivables (continued)

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the municipality applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

1.8 Leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Municipality as lessee - Finance leases

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Municipality as lessee - operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expenses over the lease term. Any contingent rents are expenses in the period in which they are incurred.

Municipality as lessor - operating leases

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or

1.9 Inventories (continued)

- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. The cost of inventories is assigned using the first-in, first-out (FIFO) formula, except for water which is determined at cost at the reporting date due to it being measured at the lower of cost and current replacement cost.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of cash-generating assets

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current prime rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

1.10 Impairment of cash-generating assets (continued)

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.11 Impairment of non-cash-generating assets

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy.rather than the accounting policy on Impairment of non-cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Accounting Policies

1.11 Impairment of non-cash-generating assets (continued)

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

1.11 Impairment of non-cash-generating assets (continued)

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.12 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.12 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality’s informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality’s informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Accounting Policies

1.12 Employee benefits (continued)

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Accounting Policies

1.12 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.13 Provisions

Provisions are recognised when the municipality has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of financial performance as a finance cost as it occurs.

1.13 Provisions (continued)

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of financial performance.

At year end a provision is raised for the rehabilitation of landfill sites. The provision is the net present value of the future cash flows to rehabilitate damaged land at year end.

As the related asset is measured using the cost model
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed it carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustments results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may be fully recoverable. If there is such an indication, the municipality tests the asset for the impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in the accounting policy on impairment of cash-generating assets and/ or impairment of non-cash generating assets.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

1.14 Contingent assets and contingent liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the Financial statements.

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Revenue

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

1.16 Revenue (continued)

Recognition and measurement

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

1.16.1 Revenue from exchange transactions

Service charges

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Interest earned and rentals received

Interest and rentals are recognised on a time proportion basis that takes into account the effective yield on the investment. Interest may be transferred from the Accumulated surplus/ (deficit) to the Housing development fund or the Insurance reserve.

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue recognition of unclaimed deposits

Unclaimed deposits older than three (3) years are recognised as revenue.

Accounting Policies

1.16 Revenue (continued)

1.16.2 Revenue from non-exchange transactions

Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the municipality is entitled to collect.

Subsequent to initial recognition and measurement, the municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

Donations and contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Transfers and subsidies

Unconditional grants

Equitable share allocations are recognised in revenue at the start of the financial year.

Conditional grants

Conditional grants recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of financial performance.

Services received in-kind

Services in kind are recognised at its fair value when it is significant to the operations and/or service delivery objectives and when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

Accounting Policies

1.16 Revenue (continued)

Revenue recognition of unclaimed deposits

Unclaimed deposits older than three (3) years are recognised as revenue.

1.17 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an municipality in connection with the borrowing of funds.

Interest-bearing external loans and bank overdrafts are recorded net of direct issue costs. Finance charges, including premiums payable, are accounted for on an accrual basis. Borrowings are initially recognised at fair value, net of transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method.

Borrowing costs are recognised as an expense in the Statement of financial performance in the period in which they are incurred.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised to the cost of the asset. All other borrowing costs are recognised as an expense in the period in which it is incurred. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is disclosed in the notes below.

1.19 Current year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

1.20 Unauthorised expenditure

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA), defines Unauthorised expenditure as follows:

- Overspending of the total amount appropriated in the municipality’s approved budget;
- Overspending of the total amount appropriated for a vote in the approved budget;
- Expenditure from a vote unrelated to the department or functional area covered by the vote;
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- Spending of an allocation referred to in the above paragraphs of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- A grant by the municipality otherwise than in accordance with this Act.

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA) also defines a Vote as:

- One of the main segments into which a budget of a entity is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

The municipality uses the Municipal Standard Chart of Accounts (mSCOA) Functions and Sub-functions, previously the Government Finance Statistics (GFS) functions, as well as departments as the main groupings of segments of the municipality’s budget segments within the municipality are grouped per department to facilitate greater accountability and budget implementation by the respective Senior Managers as well as per mSCOA classification to facilitate comparisons on a higher level.

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

Accounting Policies

1.21 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial preformance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Additional disclosure for fruitless and wasteful expenditure is disclosed in note 54.2

1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act 56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of financial performance and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Additional disclosure for irregular expenditure is disclosed in note 54.1.

1.23 Segment information

A segment is an activity of an entity:
- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

1.23 Segment information (continued)

The reportable segments identified are those functional segments reported in the Government Finance Statistics (GFS's) format and the Municipal Vote (Departmental) format per the Monthly Section 71 Management Reports. The information that will be reported is aligned to the monthly section 71 reports which are reviewed by the executive management. The Government Finance Statistics (GFS's) format allows for universal comparability of segments. The main factors considered in selecting the segments were the level of comparability with other preparers and a level of aggregation that does not detract from presenting the separate revenue or service delivery components.

The Municipality uses the Municipal Vote (Departmental) as Primary and the GFS as Secondary segment reporting levels.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity’s financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment’s surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment’s assets and segment’s liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment’s surplus or deficit, the segment’s assets or the segment’s liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment’s surplus or deficit, the segment’s assets or the segment’s liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity’s financial statements.

1.24 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2024/07/01 to 2025/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the annual financial statements in determining whether a difference between the budgeted and actual amount is material.

All comparisons of the budget and actual amounts shall be presented on a comparative basis to the budget. Comparative information includes the following:

- the approved and final amounts;
- actual amounts and final budget amounts.

Accounting Policies

1.25 Related parties and related party transactions

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Mayor, Mayoral Committee members, Municipal Manager, senior managers and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Close members of the family of an individual are those family members who may be expected to influence or be influenced by that individual in their dealings with the municipality. An individual is considered to be a close member of the family of another individual if they are married or live together in a relationship similar to a marriage; or if they are separated by no more than two degrees of natural or legal consanguinity or affinity.

Remuneration of management includes remuneration derived for services provided to the municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration.

In the case of permanent employees acting in management positions, only the remuneration received additionally for acting in that position is disclosed.

Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the municipality.

The municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

A related party is a person or an entity with the ability to control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

Related parties include key management personnel, close members of family of key management and councillors.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Key management personnel include all heads of department or members of the municipal council of the reporting municipality where that council has jusridiction. The Council, together with the Municipal Manager and Section 57 employees has authority and responsibility to plan and control the activities of the municipality, to manage the resources and for the overall achievement of municipal objectives.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

Only transactions with related parties not at arm's lenght or not in the ordinary course of business are disclosed.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its annual financial statements.

1.26 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.27 Value Added Tax

The municipality is registered with the South Afrcan Revenue Service (SARS) for Value Added Tax on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

1.28 Cash and cash equivalents

Cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried at amortised cost. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are carried at amortised cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

1.29 Principal-agent arrangements

The municipality is party to a principal-agent arrangement for Department of Transport. In terms of the arrangement the municipality is the agent.

The municipality is entitled to 19% of the fees collected as per the agreement as compensation for the transactions carried out. There are no liabilities that has been incurred on behalf of the Department of Transport relating to the above arrangement. The timing of the remittance received from the Department of Transport Eastern Cape is received on a monthly basis and there are no risks transfered from the principal to the agency.

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

1.29 Principal-agent arrangements (continued)

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.30 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of financial position only when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.31 Transfers and subsidies – non-exchange expenditure

The municipality transfers money to individuals, organisations and other sectors of government from time to time. These transfers are recognised in the annual financial statements as expenses in the period that the events giving rise to the transfer occurred.

Accounting Policies

1.32 Contruction contracts and receivables

Construction contracts are those contracts entered into between the municipality and a customer (or third party) whereby the municipality delivers a constructed asset in terms of an agreement with such party. The construction can be done by the municipality or through the use if a sub-contractor. The benefit of the constructed item (or group) must be received by such party and not the municipality.

Revenue from such contracts shall comprise the agreed value in terms of the contract plus any agreed variations to such contract on the conditions that these variations will result in inflow of economic resources that can be measured reliably.

Contract costs are costs that directly relate to the contract as well as costs that are attributable to the execution of the construction work and any additional costs as agreed between the municipality and the party obtaining the final goods. Attributable costs are only assigned to the contract costs if these can be assigned on a systematic and rational basis.

Revenue and costs are therefore recognized with reference to the stage of completion provided that the conditions for contract revenue and contract costs are met and the stage of contract completion can be measured.

Notes to the Annual Financial Statements

	2025	2024
	R	R

2. New standards and interpretations

2.1 Standards, amendments to standards and interpretations issued, but not yet effective

The National Minister of Finance announced in Regulation Gazette number 11129 (dated 4 June 2020) the effective dates as indicated next to each standard below: The Accounting Standards Board's Directive 5 sets out the princilples for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors. Where a standard of GRAP is approved and effective, it replaces the equivalent Standard that was effective (prior to the adoption of the new/replacement standard) at the date such new standard is either adopted or becomes effective. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying the standard of GRAP on Accounting Policies, Changes in Accounting Estimates, and Errors.

Standard/ Interpretation:	**Effective date: Years beginning on or after**	**Expected impact:**
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	To be determined	The objective of this amendment is to include additional guidance and disclosure on going concern. Management will continue to assess the municipality's ability to continue as a going concern and assess the relevance thereof at each reporting date.
• GRAP 103 (amended): Heritage Assets	To be determined	The standard is the accounting and disclosure for heritage assets. Changes from the previously adopted version of GRAP 103 include: expansion of cultural significance meaning, changes to the characteristics of heritage assets, accounting for assets according to this standard if they have more than one use, and changes to the recognition, measurement, impairment, and disclosure of heritage assets.

		2025 R	2024 R

2. New standards and interpretations (continued)

• iGRAP 22: Foreign Currency Transactions and Advance Consideration	01 April 2025	IGRAP 22 was developed from IFRIC 22 on IAS 21 – ‘The Effects of Changes in Foreign Exchange Rates.’It addresses the treatment of foreign currency transactions and how advance consideration impacts the determination of the transaction date for currency conversion.The interpretation aims to clarify how to determine the date of the transaction for the purpose of converting the foreign currency amount into the entity's functional currency, especially when payment is made or received in advance.The Municipality does not have any foreign currency transactions and advance considerations. This Interpretation is thus not expected to be relevant to the Municipality, however it will be assessed following its effective date should any changes in the business necessitate the adoption of elements contained in this Interpretation.

Notes to the Annual Financial Statements

	2025 R	2024 R

2. New standards and interpretations (continued)

• GRAP 104 (as revised): Financial Instruments	1 April 2025	The revision of GRAP 104 was motivated by the need to address shortcomings identified in the classification and measurement of financial instruments, especially those highlighted during the financial crisis.The changes align with updates in IFRS 9 and IPSAS 41, aiming to improve the robustness and relevance of financial instrument reporting. Significant changes introduced in the revision include revising classification principles even though the number of categories remains the same, and adopting a new impairment model based on expected credit losses. This revision aims to enhance the financial reporting of financial instruments by introducing more relevant and timely recognition and measurement practices.Classification and measurement:The Municipality will need to reassess how they classify and measure financial instruments, which could lead to changes in the recognition of financial assets and liabilities on the Statement of Financial Position. This may affect the Municipality's financial ratios and metrics that stakeholders use to assess financial health.Impairment model:The shift to an expected credit loss model for impairment will require the Municipality to make forward-looking assessments of credit risk, potentially leading to earlier recognition of credit losses. This could have implications on the municipality's Statement of Financial Performance and

	2025 R	2024 R

2. New standards and interpretations (continued)

may require the development of new models and assumptions for estimating expected credit losses. The Municipality is planning on adopting this accounting standard retrospectively from 1 April 2025, with elements thereof adopted prospectively, in accordance with the Transitional Provisions issued by the Accounting Standards Board for the adoption of the new Standard. The adoption of this standard is less likely to have an effect on the classification of financial instruments, but could have a potential effect on the measurement and impairment of financial instruments. The expected future implication of re-measurement and impairment of financial instruments is currently not yet determinable without undue cost and effort. The potential impact of implementing the revised GRAP 104 standard, is as follows: The financial instruments disclosed by the Municipality continue to be correctly classified under the revised GRAP 104 standard. There is no change to the measurement basis of the Municipality’s financial assets and liabilities because: the Municipality’s business model is to hold and collect contractual cash flows, All instruments pass the ‘Solely Payments of Principal and Interest’ (SPPI) test, No instruments are held for trading or with complex features requiring fair value reclassification. Hence, the transition to the revised GRAP 104 does not necessitate

	2025 R	2024 R

2. New standards and interpretations (continued)

reclassification or measurement adjustments for the Municipality's financial instruments.

3. Cash and cash equivalents

3.1 Cash and cash equivalents

Cash flow statement consist of the following:

	2025 R	2024 R
Call deposits and investments		
Bank account	9 519 045	2 936 043
Cash at bank		
Short term investments	545 152 529	512 502 958
Cash on hand	-	15
Total cash and cash equivalents	**554 671 574**	**515 439 016**

Notes to the Annual Financial Statements

	2025 R	2024 R

3. Cash and cash equivalents (continued)

3.2 Difference between cash book and bank statement

2025

	Cash book	Bank statement
First national bank Call account - 62159915704 - MIG	9 981 714	9 981 714
Standard bank 48 Hour notice deposit-388655305-404	34 724 237	34 724 237
First national bank Call account - 62396357298- EPWP	468 290	468 290
Standard bank Employee cost 48 Hour notice account - 388655305-406	31 103 028	31 103 028
Standard bank Nyandeni LM - 388655305-407	4 984 266	4 984 266
Standard bank Stanlib - ip0005439	540	-
First national bank Interest allocation account - 76206372113	107 276 168	107 276 168
NED bank Fixed deposit account-03/7881143126	92 817 748	92 817 748
NED bank New investment - 03/37881137165	43 902 675	43 902 675
First national bank 32 day interest - 72399019737	-	-
NED bank Fixed deposit - 03/7881138173	-	-
NED bank Fixed deposit - 7881161760 - Disaster relief	36 175 281	36 175 281
Firts national bank Rates call account - 74808491951	-	-
NED bank Fixed deposit - 7881156317	157 345 010	157 345 010
First national bank Investment account -74187331349	-	-
First national bank Call account - 62582905710	871 942	871 942
NED bank Fixed deposit - 03/7881138254	-	-
First national bank Call account - 62396356539 - INEG	11 252 228	11 252 228
First national bank Call account - 62159915340 - LGSETA	427 771	427 771
First national bank Call account - 62159921751	1 766 050	1 766 050
First national bank Call account - 6215991553	-	-
Standard bank Money call account - 388680237-002	12 055 581	12 055 581
Standard bank Tiered Rates - 388680172-002	-	-
First national bank Current account No. 62152951614	7 308 777	14 126 639
Standard bank Current account - 80847978	2 210 268	2 210 118
	554 671 574	**561 488 746**

3. Cash and cash equivalents (continued)

2024

	Cash book	Bank statement
Standard bank 32 day call - 388655305-004	1 732 039	1 732 039
Standard bank Call account - 388655305405 - HSG	4 578 255	4 578 255
Standard bank Revolving fund - 388655305-002	335 600	335 600
First national bank Call account - 62159915704 - MIG	528 855	528 855
Standard bank 48 Hour notice deposit - 388655305	32 749 718	32 749 718
Standard bank Call depost - 388680237-001	149 380	149 380
Standard bank Employee cost 48 Hour notice account - 388655305-406	39 244 558	39 244 558
Standard bank Stanlib - 54781067	33 815	33 815
First national bank Call account - 74182161238	12 580 292	12 580 292
First national bank Call account - 62159922551	242 268	242 268
First national bank Call account - 62396357298 - EPWP	146 807	16 130
First national bank Interest allocation account - 76206372113	47 381 162	47 381 162
NED bank Fixed deposit account-03/7881143126	85 173 579	85 173 579
First national bank Call account - 74634166463	49 947	49 947
Standard banl 548736855-001	1 082 409	1 082 409
First national bank 32 day interest - 72399019737	2 893 802	2 893 924
NED bank Fixed deposit - 03/7881138173	8 860 604	9 130 491
NED bank Fixed deposit - 7881161760 - Disaster relief	50 578 712	50 578 712
First national bank Rates call account - 74808491951	1 353 034	1 353 034
NED bank Fixed deposit - 7881156317	143 497 501	143 497 501
First national bank Investment account -74187331349	31 796 088	31 796 088
First national bank Call account - 62582905710	877 720	812 927
NED bank Fixed deposit - 03/7881138254	31 286 459	31 286 459
First national bank Call account - 62396356539 - INEG	4 401 310	4 401 310
First national bank Call account - 62159915340 - LGSETA	98 519	98 519
First national bank Call account - 62159921751	73 776	73 776
First national bank Call account - 62159915853	2 084 436	2 084 436

	2025 R	2024 R
3. Cash and cash equivalents (continued)		
Standard bank Money call account - 388680237-002	7 471 456	7 471 456
Standard bank Call deposit - 388655305-403	415 814	415 814
Standard bank Tiered Rates - 388680172-002	4 006	4 006
First national bank Current account number 62152951614	1 545 694	1 713 520
Standard bank Current account NO. 80847978	2 191 401	2 191 401
	515 439 016	**515 681 381**

4. Trade and other receivables from exchange transactions

Trading service and consumer service debtors	4.1	232 200	171 078

4.1 Trading service and consumer service debtors

	2025			2024		
	Gross	Impairment	Total	Gross	Impairment	Total
Waste management	3 728 486	(3 496 845)	**231 641**	2 997 838	(2 827 292)	**170 546**
Service charges	559	-	**559**	532	-	**532**
Total	**3 729 045**	**(3 496 845)**	**232 200**	**2 998 370**	**(2 827 292)**	**171 078**

4.1.1 Ageing of trading service and consumer service debtors

2025

		Not due	Past due				
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Ageing by debt type							
Waste management	**231 641**	4 403	2 163	1 977	1 699	1 665	219 734
Service charges	**559**	-	-	-	-	-	559
Total ageing by debt type	**232 200**	**4 403**	**2 163**	**1 977**	**1 699**	**1 665**	**220 293**

4. Trade and other receivables from exchange transactions (continued)

2024

		Not due	Past due				
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Ageing by debt type							
Service charges	**532**	-	-	-	-	-	532
Waste management	**170 546**	22 057	11 521	5 749	4 965	12 747	113 507
Total ageing by debt type	**171 078**	**22 057**	**11 521**	**5 749**	**4 965**	**12 747**	**114 039**

4. Trade and other receivables from exchange transactions (continued)

Ageing per customer group - Waste management							
Organs of state	**373 875**	35 728	17 731	12 298	3 654	3 458	301 006
Commercial customers	**1 504 862**	42 322	20 930	20 699	20 699	20 101	1 380 111
Households	**1 849 749**	58 869	28 595	28 487	28 469	28 217	1 677 112
Total ageing per customer group - waste management	**3 728 486**	**136 919**	**67 256**	**61 484**	**52 822**	**51 776**	**3 358 229**

4.1.2 Impairment reconciliation of trading service and consumer service debtors

	2025			2024		
	Opening balance	Impairment reversed / debt written off	Closing balance	Opening balance	Impairment reversed / debt written off	Closing balance
Waste management	2 827 293	669 552	**3 496 845**	2 222 263	605 029	**2 827 292**

4. Trade and other receivables from exchange transactions (continued)

4.1.3 Ageing of impaired trade and other debtors

2025

		Not due	Past due				
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Ageing by debt type							
Waste management	**3 496 845**	135 002	61 484	52 822	51 776	2 413 241	782 520

2024

		Not due	Past due				
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Ageing by debt type							
Waste management	**2 827 292**	120 687	63 042	31 457	27 168	1 517 332	1 067 606
Ageing per customer group							
Organs of state	**671 905**	22 764	3 960	4 020	1 980	183 951	455 230
Commercial customers	**1 195 217**	40 439	21 659	18 339	10 830	864 635	239 315
Households	**960 170**	57 484	37 423	9 098	14 358	468 746	373 061
Total by customer group	**2 827 292**	**120 687**	**63 042**	**31 457**	**27 168**	**1 517 332**	**1 067 606**

		2025 R	2024 R

5. Statutory receivables

Consumer receivables	5.1		
Property rates		4 384 576	4 145 051
Other receivables	5.1		
Fines		866 270	2 434 362
Input VAT - general		5 560 712	3 373 561
Input VAT - capital		-	1 754 372
VAT Control		-	2 794 881
		6 426 982	**10 357 176**
Total receivables		**10 811 558**	**14 502 227**

The prior year comparatives have been restated, please refer to note 60 for more detail information.

5.1 Statutory receivables

	2025			2024		
	Gross	**Impairment**	**Total**	**Gross**	**Impairment**	**Total**
Consumer receivables						
Property rates	54 172 785	(49 788 209)	**4 384 576**	48 699 686	(44 554 635)	**4 145 051**
Other receivables						
Fines	2 644 982	(1 778 712)	**866 270**	2 366 502	67 860	**2 434 362**
Input VAT - general	5 560 712	-	**5 560 712**	7 922 814	-	**7 922 814**
	8 205 694	**(1 778 712)**	**6 426 982**	**10 289 316**	**67 860**	**10 357 176**
Total	**62 378 479**	**(51 566 921)**	**10 811 558**	**58 989 002**	**(44 486 775)**	**14 502 227**

5. Trade and other receivables from exchange transactions (continued)

5.1.1 Ageing of Statutory receivables

2025

		Not due			Past due		
	Total	**Current**	**60 days**	**90 days**	**120 days**	**120+ days**	**Interest**
Consumer receivables							
Property rates	54 172 785	1 231 692	468 493	466 760	443 002	38 016 335	13 546 503
Other receivables							
Fines	2 644 982	14 800	26 900	63 600	23 780	2 515 902	-
Input VAT - general	5 560 712	-	-	-	-	5 560 712	-
	8 205 694	**14 800**	**26 900**	**63 600**	**23 780**	**8 076 614**	**-**
	62 378 479	**1 246 492**	**495 393**	**530 360**	**466 782**	**46 092 949**	**13 546 503**

5.1.2 Impairment reconciliation of receivables from non-exchange transactions

	2025				2024		
	Opening balance	**Impairment raised**	**Impairment reversed / debt written off**	**Closing balance**	**Opening balance**	**Impairment raised**	**Closing balance**
Consumer receivables							
Property rates	(44 554 634)	(5 233 575)	-	**(49 788 209)**	(34 568 080)	(9 986 555)	**(44 554 635)**
Other receivables							
Fines	67 860	(1 778 712)	(67 860)	**(1 778 712)**	67 860	-	**67 860**
Total	**(44 486 774)**	**(7 012 287)**	**(67 860)**	**(51 566 921)**	**(34 500 220)**	**(9 986 555)**	**(44 486 775)**

Notes to the Annual Financial Statements

	2025 R	2024 R

5. Trade and other receivables from exchange transactions (continued)

The carrying value of receivables are in line with their fair value. A credit period of 30 days are granted on initial recognition of the receivable, which is considered to be in line with industry norms. Interest is charged at 10% per annum on overdue accounts.

Traffic fines

These are the receivables for the fines in terms of the Road Traffic Regulations and the Municipal Bylaws where applicable. Fines are determined based on the Road Traffic Management Act.

Property rates

These are the receivables as rates that are levied on the properties within the jurisdiction of Nyandeni Municipality. The rates that are applicable to a particular property is determined using the valuation roll.

The allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. Rates are determined in accordance with the Municipal Property Rates Act.

Financial asset receivables included in receivables from non exchange transaction above

Property rates	4 384 576	4 145 051
Fines	866 270	2 434 362
VAT Control	-	2 794 881
VAT - General	5 560 712	3 373 561
VAT - Capital	-	1 754 372
	10 811 558	**14 502 227**

6. Inventories

Consumables	1 922 597	1 870 888

Reconciliation of consumables		
Consumables	2 125 344	1 942 646
Write-offs	(202 747)	(71 758)
	1 922 597	**1 870 888**

Stock at year end amount to R1 930 097 (2024: R1 870 888). Stock amounting to R202 747 was damaged and obsolute, and had to be wrtten down in relation to consumables an amount of R202 747 that was written off as a result of inventory stock take at year end

6.1 Inventory pledged as security

The municipality does not have any inventory pledged as security.

7. VAT Receivable

Input Accrual	8 418 603	6 551 003

VAT input accrual is the VAT charged on vatable expenditure incurred on the accrual basis, not yet receivable from SARS until trade creditors are paid

8. Construction contracts receivables

Human Settlements	46 380 154	1 826 724

Notes to the Annual Financial Statements

	2025 R	2024 R

9. Investment property

9.1 Reconciliation of carrying value

Opening carrying value		
Cost	89 941 400	85 394 500
Fair Value Adjustments	2 957 300	4 546 900
Closing carrying value	**92 898 700**	**89 941 400**

The prior year comparatives have been restated, please refer to note 60 for more detail information.

Method of asset valuation

A register containing the information required by section 63 of the Municipal Finance Management Act (Act 56 of 2003) is available for inspection at the registered offices of the municipality.

The effective date of the revaluations was 30 June 2025. Revaluations were performed by an independent valuer, Penny Lindstrom a registered valuer of Penny Lindstrom Valuations CC.
The valuers are not connected to the municipality and have recent experience in location and category of the investment property being valued.
All investments registered in the name of the municipality were valued and categorised. After careful consideration, the valuer decided to increase the value of the investment properties, and suitable values were placed on each property based on the methodology identified for each category. Fair value was established using the market prices for properties similar to the municipalities investment properties.
These properties are vacant land within the municipal commonage. There is no rental received except that these are meant for capital appreciation.

Notes to the Annual Financial Statements

	2025	2024
	R	R

10. Property, plant and equipment

10.1 Reconciliation summary

	2025			2024		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land and Buildings	165 046 174	(40 870 483)	**124 175 691**	164 436 492	(33 364 936)	**131 071 556**
Transport Assets	27 568 718	(14 861 652)	**12 707 066**	30 429 430	(14 543 116)	**15 886 314**
Leased Assets	1 349 515	(1 084 596)	**264 919**	1 211 551	(588 783)	**622 768**
Machinery and Equipment	32 376 119	(12 817 729)	**19 558 390**	24 668 277	(11 453 928)	**13 214 349**
Furniture and Office Equipment	10 033 121	(6 771 008)	**3 262 113**	9 586 760	(6 151 365)	**3 435 395**
Computer Equipment	10 859 319	(6 984 789)	**3 874 530**	9 761 922	(6 062 619)	**3 699 303**
Construction work-in-progress	230 595 321	-	**230 595 321**	152 578 755	-	**152 578 755**
Infrastructure	789 776 333	(344 132 614)	**445 643 719**	745 339 326	(290 195 934)	**455 143 392**
Community Assets	62 671 537	(17 678 378)	**44 993 159**	41 350 920	(14 951 200)	**26 399 720**
Total	**1 330 276 157**	**(445 201 249)**	**885 074 908**	**1 179 363 433**	**(377 311 881)**	**802 051 552**

The prior year comparatives have been restated and re classified, please refer to note 60 for more detail information.

10. Property, plant and equipment (continued)

10.2 Reconciliation of carrying value

2025

	Opening balance	Additions	Disposals	Transfers made	Depreciation	Impairment loss/ reversal	Total
Land and Building	131 071 556	-	(169 242)	880 864	(7 607 487)	-	**124 175 691**
Transport Assets	15 886 314	-	(530 078)	-	(2 649 170)	-	**12 707 066**
Leased assets	622 768	137 965	-	-	(495 814)	-	**264 919**
Machinery and Equipment	13 214 349	8 954 261	(74 502)	-	(2 535 718)	-	**19 558 390**
Furniture and Office Equipment	3 435 395	155 441	(58 068)	540 000	(810 655)	-	**3 262 113**
Computer Equipment	3 699 303	1 164 949	(20 385)	-	(969 337)	-	**3 874 530**
Construction work-in-progress	152 578 755	150 320 867	-	(72 304 301)	-	-	**230 595 321**
Infrastructure	455 143 392	-	(1 294 084)	49 562 820	(39 731 600)	(18 036 809)	**445 643 719**
Community Assets	26 399 720	-	-	21 320 617	(2 727 178)	-	**44 993 159**
Total	**802 051 552**	**160 733 483**	**(2 146 359)**	**-**	**(57 526 959)**	**(18 036 809)**	**885 074 908**

2024

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Depreciation	Impairment loss/ reversal	Total
Land and building	106 880 488	382 900	(903)	29 472 303	-	(5 663 232)	-	**131 071 556**
Transport Assets	17 779 336	717 422	-	-	-	(2 610 444)	-	**15 886 314**
Leased Assets	954 052	64 566	-	-	-	(395 850)	-	**622 768**
Machinery and Equipment	9 922 039	4 994 617	(63 107)	-	-	(1 639 200)	-	**13 214 349**
Furniture and Office Equipment	3 363 117	764 331	(2 599)	108 534	-	(797 988)	-	**3 435 395**
Computer Equipment	3 090 913	1 921 481	(63 798)	-	-	(1 249 293)	-	**3 699 303**
Construction work-in-progress	104 076 028	135 772 070	-	(87 269 343)	-	-	-	**152 578 755**
Infrastructure	452 921 274	-	(11 032 942)	48 969 001	3 642 142	(37 446 599)	(1 909 484)	**455 143 392**
Community Assets	23 564 537	-	(142 752)	5 077 363	-	(2 099 428)	-	**26 399 720**
Total	**722 551 784**	**144 617 387**	**(11 306 101)**	**(3 642 142)**	**3 642 142**	**(51 902 034)**	**(1 909 484)**	**802 051 552**

	2025	2024
	R	R

10. Property, plant and equipment (continued)

10.3 Change in estimate

Useful life of property, plant and equipment

The management of municipality realised, during their annual assessment of useful lives and residual values, in the beginning of 2024-2025 financial period that the pattern of service potential derived from depreciable assets has changed from that in previous periods. These depreciable assets are currently depreciated using the straight-line method over a useful life. As a result, management decided to change the remaining useful life of the depreciable assets. The following information relates to the depreciable assets. The effect of the change in useful life resulted to an increase in the current year depreciation with an amount of R4 200 804 and in the future years. Depreciation is calculated on a straight-line basis hence the effect of change in accounting estimate is the same.

	2025	2026	2027	Total
Depreciation				
Depreciation before change	52 830 568	52 830 568	52 830 568	158 491 704
Depreciation After Change	(57 031 372)	(57 031 372)	(57 031 372)	(171 094 116)
	(4 200 804)	**(4 200 804)**	**(4 200 804)**	**(12 602 412)**

	2025 R	2024 R

10. Property, plant and equipment (continued)

10.4 Property, plant and equipment under construction

2025

	Community	Infra-structure Roads	Buildings	Total
Opening balance	-	152 578 755	-	152 578 755
Opening balance disclosure split in current year	6 737 253	(6 737 253)	-	-
Additional/capital expenditure	15 057 504	124 405 702	-	139 463 206
Other movement [Retention on WIP]	272 700	10 584 961	-	10 857 661
Transfer to completed items	(22 067 457)	(50 236 844)	-	(72 304 301)
	-	**230 595 321**	**-**	**230 595 321**

2024

	Community	Infra-structure Roads	Buildings	Total
Opening balance	-	93 232 986	10 943 043	104 176 029
Additional/capital expenditure	-	123 538 814	8 791 443	132 330 257
Other movement [Retention on WIP]	-	3 243 733	265 059	3 508 792
Transfers to operations	-	(3 642 143)	-	(3 642 143)
Transfer to completed items	-	(63 794 635)	(19 999 545)	(83 794 180)
	-	**152 578 755**	**-**	**152 578 755**

The following projects are still in progress, there were delays that caused the projects not to be completed on time and these delays are beyond control of the contractors. Extension of time was granted by the municipality for the contractor to cover the lost time, the extension per project is on lined below and projected to be completed in the following financial year

Libode Internal Road

- Carrying amount of this project is R13 694 167, 69

- Slow construction by the construction by contractor

- Climate change (Heavy rains)

Mvilo Bridge and Access Road

- Carrying amount of this Project is R18 103 146

- Slow construction progress on the construction of the bridge due to the concrete supply delays.

Libode Offices

- Carrying amount of this project is R11 743 126,59

- Slow construction progress due to delayed appointment of local laborers

Ngqeleni Side Works

- Carrying amount for this project is R6 419 313,68

- Due to SARS compliance issues, the remaining work will be evaluated and the Tender will be re advertised

Libode Side walks

	2025 R	2024 R

10. Property, plant and equipment (continued)

- Carrying amount of this project is R 7 020 603

-Contractor has a problem of cash flow projections and tender will be re advertised

Construction of Ngolo to Corana Access Road

- Carrying amount of this project is R1 733 304

- Project undergoing tendering processes

Canzibe Public Transport Facility

- Carrying amount for this project is R310 795,02

- The municipality appointed consultant towards the end of the financial year

Libode Animal Pound

- Carrying Amount for this project is R86 956

- The Consultant for Libode Animal Pond has been appointed

Construction of Mabululu to Ncithwa Access Road

- Carrying amount for this project is R3 206 701

- The EIA for construction of Mabululu was submitted to department of Environmental affairs and it has now been approved

Marubeni Public Facility

- Carrying amount for this project is R7 621 181

- Delays were experienced due to Inclement and changes of Site Location

Tshazini access road and the bridge

- Carrying amount for this project is R37 980 911,96

- Climate change and heavy rains (disaster)

Tholeni Access road ward 26

- Carrying amount for this project is R13 565 584

- Climate change and heavy rains (the project was affected by disaster)

11. Repairs and maintenance

	2025 R	2024 R
Maintenance of buildings and facilities	1 538 132	2 212 967
Maintenance of equipment	1 479 522	2 171 225
Maintenance of unspecified assets	4 419 656	5 201 801
	7 437 310	**9 585 993**

Repairs and maintenance relate to property, plant and equipment.

Notes to the Annual Financial Statements

	2025 R	2024 R

12. Intangible assets

12.1 Reconciliation of carrying value

2025

	Note	Computer software	Intangible Assets Under Development	Total
Opening carrying value as at 01 July 2024				
Cost		2 152 615	518 350	2 670 965
Accumulated depreciation and impairment		(1 159 181)	-	(1 159 181)
		993 434	**518 350**	**1 511 784**
Additions from acquisitions		41 446	883 109	924 555
Amortisation	35	(366 717)	-	(366 717)
		(325 271)	**883 109**	**557 838**
Closing carrying value as at 30 June 2025		**668 163**	**1 401 459**	**2 069 622**

2024

	Note	Computer software	Intangible Assets Under Development	Total
Opening carrying value as at 01 July 2023				
Cost		2 139 049	518 350	2 657 399
Accumulated depreciation and impairment		(773 413)	-	(773 413)
		1 365 636	**518 350**	**1 883 986**
Additions from acquisitions		13 568	-	13 568
Amortisation	35	(385 770)	-	(385 770)
		(372 202)	**-**	**(372 202)**
Closing carrying value as at 30 June 2024		**993 434**	**518 350**	**1 511 784**

The amortisation expense has been included in the line item 'Depreciation and Amortisation' in the Statement of financial performance (see Note 35).
The amortisation method and useful life of intangible assets is set out in the accounting policy note of intangible assets

13. Trade and other payables from exchange transactions

	Note	2025 R	2024 R
Control and clearing accounts	13.1	243 974	575 164
Other payables	13.2	33 162 427	9 277 545
Total		**33 406 401**	**9 852 709**

The prior year comparatives have been restated, please refer to note 60 for more detail information.

13.1 Control and clearing accounts

	2025 R	2024 R
Travel control	243 974	575 164

Notes to the Annual Financial Statements

	2025 R	2024 R

13. Trade and other payables from exchange transactions (continued)

13.2 Other payables

	2025 R	2024 R
Sundry Supplies	-	25 796
Unallocated Deposits	196 667	196 667
Creditors Payables	1 035 429	343 126
Creditors Accruals	31 930 331	8 711 956
Total	**33 162 427**	**9 277 545**

14. Unspent conditional grant

		2025					2024				
		Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance
Capital											
Monetary Allocations	14.1	61 136 197	124 307 093	(141 221 449)	(20 422 507)	**23 799 334**	4 714 546	111 270 650	(54 848 999)	-	**61 136 197**
Operational											
Monetary Allocations	14.2	2 434 302	10 193 414	(7 848 810)	(2 000 000)	**2 778 906**	4 924 342	30 433 321	(28 826 931)	(4 096 431)	**2 434 301**
Total		**63 570 499**	**134 500 507**	**(149 070 259)**	**(22 422 507)**	**26 578 240**	**9 638 888**	**141 703 971**	**(83 675 930)**	**(4 096 431)**	**63 570 498**

14.1 Unspent capital monetary allocations - Capital

	2025					2024			
	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance	Opening balance	Funds received	Transfer to revenue	Closing balance
National Government									
Animal Feed Grant: Capital	20 422 507	20 422 507	(2 697 667)	(20 422 507)	**17 724 840**	-	-	20 422 507	**20 422 507**
Municipal Disaster Relief Grant	40 769 564	35 259 000	(70 020 335)	-	**6 008 229**	4 714 546	46 987 000	(10 931 982)	**40 769 564**
Municipal Infrastructure Grant	(55 874)	68 025 586	(67 969 712)	-	**-**	-	64 283 650	(64 339 524)	**(55 874)**
Neighbourhood Development Partnership Grant	-	600 000	(533 735)	-	**66 265**	-	-	-	**-**
Total	**61 136 197**	**124 307 093**	**(141 221 449)**	**(20 422 507)**	**23 799 334**	**4 714 546**	**111 270 650**	**(54 848 999)**	**61 136 197**

14. Unspent conditional grant (continued)

14.2 Unspent operational monetary allocations - Operational

	2025					2024				
	Opening balance	**Funds received**	**Transfer to revenue**	**Repayment unspent grants**	**Closing balance**	**Opening balance**	**Funds received**	**Transfer to revenue**	**Repayment unspent grants**	**Closing balance**
National Government										
Expanded Public Works Programme Integrated Grant	(608)	1 661 000	(1 660 392)	-	**-**	363	1 707 000	(1 707 972)	-	**(609)**
Local Government Financial Management Grant	(299)	1 600 000	(1 599 701)	-	**-**	(472)	1 650 000	(1 649 827)	-	**(299)**
Municipal Infrastructure Grant	905	3 313 414	(3 314 319)	-	**-**	626	3 383 350	(3 383 071)	-	**905**
Library Grant	434 304	1 619 000	(670 111)	-	**1 383 193**	264 614	700 000	(530 310)	-	**434 304**
Animal Feed Grant	2 000 000	2 000 000	(604 287)	(2 000 000)	**1 395 713**	4 659 211	22 992 971	(21 555 751)	(4 096 431)	**2 000 000**
Total	**2 434 302**	**10 193 414**	**(7 848 810)**	**(2 000 000)**	**2 778 906**	**4 924 342**	**30 433 321**	**(28 826 931)**	**(4 096 431)**	**2 434 301**

Reclassification of grants classes

DEDEAT and LGSETA Grants were reclassified due to operational nature of the projects being implemented. Animal Grant was split between capital and operational. They were incorrectly classified in the prior year.

Description	**Previously Stated as Capital**	**Restated as Capital**	**Restated as Operating**
Animal Feed Grant: Capital	22 422 507	20 422 507	-
Animal Feed Grant: Operational	-	-	2 000 000
	22 422 507	**20 422 507**	**2 000 000**

Notes to the Annual Financial Statements

		2025 R	2024 R

15. Retentions

Retentions		44 804 638	26 845 108

Amounts withheld as surety on construction projects completed by awarded contractors . These amounts are recognised on payment certificates on stages of completion that have been paid to the contractors. The release of retentions is normally done 6 - 12 months after the projects is certified as complete

16. Income received in advance

Income received in advance		2 867 968	2 319 738

17. VAT Payable

Output VAT		(755 192)	10 945 594
VAT credit: Output accrual		370 145	310 244
VAT Control (Payable)		755 192	-
Total		**370 145**	**11 255 838**

Included under VAT Output is the VAT relating to INEP grant

18. Employee benefits

Current employee benefits			
Long-service awards	18.1	788 000	2 482 000
Bonus	18.2	3 553 097	3 444 117
Leave	18.3	14 866 637	13 838 578
Overtime	18.4	769 457	281 549
		19 977 191	**20 046 244**
Non-current employee benefits			
Long-service awards	18.1	8 477 000	6 518 000
Total		**28 454 191**	**26 564 244**

The prior year comparatives have been restated, please refer to note 60 for more detail information.

Multi-employer pension funds

Employees belong to a variety of approved pension and provident funds.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.

One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.

The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided in sub-funds for each participating employer.

	2025 R	2024 R

18. Employee benefits (continued)

18.1 Long-service awards

Provision for long-service awards	10 794 000	8 835 000
Long-service awards payable	(1 529 000)	165 000
Total	**9 265 000**	**9 000 000**

Current	788 000	2 482 000
Non-current	8 477 000	6 518 000

Changes in the present value of the defined benifit obligation as follows

The amounts recognised in the statement of financial position are as follow:

Opening balance	9 000 000	8 634 000
Net expense recognised in the statement of financial performance	265 000	366 000
Total benefit liability	**9 265 000**	**9 000 000**

Long-service awards

The most actuarial valuations were carried out as at 30 June 2025 by ARCH Actuarial Consulting. The present value of the obligation and related current cost and past service cost were determined using the projected unit credit method.

Assumptions used at the reporting date:

Discount rates used	9,70 %	10,89 %
General earnings inflation rate (long-term)	4,80 %	6,00 %
	4,70 %	4,62 %

The effect of a percentage increase and decrease is as follows:

Liability has increased by 3%, current service cost decreased by 1% and interest cost increased by 4%

Defined benefit plan opening balance	9 000 000	8 634 000
Current service cost	942 000	994 000
Interest cost	894 000	900 000
Actuarial gain	(1 571 000)	(1 528 000)
	9 265 000	**9 000 000**

	2025	2024	2023	2022	2021
Long service bonus award	9 265 000	9 000 000	8 634 000	8 292 000	8 321 000

The municipality budgeted for a 5% increase as at 1 July 2025, and the earnings used in this valuation include this assumed general increase. The next general earnings increase was assumed to take place on 1 July 2026

Sensitivity Analysis

The extent to which the actual liability faced in the future by the municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made.

The assumptions which tend to have the greatest impact on the results are:
- The general earnings inflation rate assumption;
- The discount rate assumption;
- The average retirement age of employees; and assumed rates of withdrawal of employees from service.

Notes to the Annual Financial Statements

		2025 R	2024 R

18. Employee benefits (continued)

18.2 Bonus

Bonus payable		3 553 097	3 444 117

18.3 Leave

Leave accrual		14 866 637	13 838 578

18.4 Overtime

18.4.1 Overtime payable

Opening Balance		281 548	639 013
Movements		487 909	(357 464)
Closing balance		**769 457**	**281 549**

19. Provisions (Current and non-current)

Landfill Sites	19.1	8 448 473	7 524 717

Split between current and non-current

Current		2 748 356	898 450
Non-current		5 700 117	6 626 267
Total		**8 448 473**	**7 524 717**

19.1 Landfill Sites

Opening Balance		7 524 717	6 837 101
Additional provisions raised		1 849 906	35 618
Increases (Passage of Time/Discounted Rate)		(926 150)	651 998
Closing balance		**8 448 473**	**7 524 717**
Current		2 748 356	898 450
Non-current		5 700 117	6 626 267

The municipality has a landfill site where It will need to rehabilitate the land at the end of its useful life. The rehabilitation cost determined are an estimate of the cost that will be incurred in order to meet the operational requirements of the site. The provision for landfill sites has increased in the current year as a result of the old landfill site that has been used to its full capacity and has been discontinued and the land needs to be restored.

The provision has been determined based on an independent valuation performed by a firm of consulting engineers as at 30 June 2025

The landfill site is operational and is receiving general waste from Libode CBD, Ngqeleni, nearby townships and peri-urban areas. The waste is brought in by the municipality-operated refuse vehicles as well as private company-owned waste collection trucks. The landfill was initially designed with an estimated useful life of 20 years, which means that there are currently 18 years remaining in its lifespan.

Key assumptions used at the reporting date:

Notes to the Annual Financial Statements

	2025 R	2024 R

19. Provisions (Current and non-current) (continued)

Discount rate (D)	11,37 %	11,94 %
Consumer price inflation ©	5,94 %	6,51 %
Net discount rate ((1+D)/(1+H)-1)	5,13 %	4,87 %

Notes to the Annual Financial Statements

		2025 R	2024 R

20. Finance lease liabilities

Finance lease liabilities	20.1	306 599	684 009

20.1 Obligation under finance leases

The entity as lessee

The obligations under finance leases are as follow:

Minimum lease payments		
Payable within 1 year	373 842	444 119
Payable within 2 to 5 years	-	375 345
Total minimum lease payments	**373 842**	**819 464**
Less: Future finance charges	(67 243)	(135 455)
Total	**306 599**	**684 009**

Present value of minimum lease payments		
Payable within 1 year	306 599	361 169
Payable within 2 to 5 years	-	322 840
Total	**306 599**	**684 009**

It is municipality policy to lease certain office equipment under finance leases.
The average lease term was 3 years and the average effective borrowing rate was 4% (2024: 4%).
The finance lease obligation is made up of numerous rental agreements for the office equipment with different termination dates.
The office equipment is leased from Xerox Office Equipment for a term of 36 months

21. Services charges - Waste management

Waste management		
Refuse removal	711 147	647 043

22. Rental of facilities, land and equipment

Rental of land	315 850	40 660

23. Interests earned from investments

Bank accounts	2 805 834	7 710 121
Short-term investments and call accounts	48 521 288	38 715 961
Total	**51 327 122**	**46 426 082**

24. Interest earned from receivables

Exchange receivables	24.1	278 459	209 168
Non-exchange receivables	24.2	4 277 001	3 425 242
Total		**4 555 460**	**3 634 410**

24.1 Interest earned from exchange receivables

Consumer receivables		
Waste management	278 459	209 168

Notes to the Annual Financial Statements

		2025 R	2024 R

24. Interest earned from receivables (continued)

24.2 Interest earned from non-exchange receivables

	2025 R	2024 R
Consumer receivables		
Property rates	4 277 001	3 425 242

25. Licence and permits

		2025 R	2024 R
Exchange revenue	25.1	4 113 575	2 623 072

25.1 Licenses and permits – Exchange revenue

	2025 R	2024 R
Road and transport	4 019 044	2 520 123
Trading	94 531	102 949
Total	**4 113 575**	**2 623 072**

26. Agency services

	2025 R	2024 R
Provincial	1 026 892	1 038 162

The amount of R 1 026 892 (2024: R1 038,162) is revenue collected from agency services in terms of an agreement with the department of transport to render vehicle licensing services. The municipality is entitled to 19% of the fees collected as per the agreement as compensation for the transactions carried out.

The timing of the remittance received from the Department of Transport Eastern Cape is received on a monthly basis and there are no risks transfered from the principal to the agency

27. Operational revenue

	2025 R	2024 R
Exchange revenue		
Commission	267 637	255 053
Insurance Refund	232 368	1 274 880
Staff and Councillors Recoveries	39 268	82 496
Total	**539 273**	**1 612 429**

28. Sales of goods and rendering of services

	2025 R	2024 R
Advertisements	45 287	9 963
Building Plan Approval	83 165	59 272
Cemetery and Burial	9 552	11 444
Clearance Certificates	7 505	7 591
Entrance Fees	6 002	3 986
Removal of Restrictions	3 077	1 722
Tender documents	384 352	380 759
Total	**538 940**	**474 737**

Notes to the Annual Financial Statements

	2025 R	2024 R

29. Contruction contracts

Construction Contract Revenue & Costs	77 330 938	29 059 926

Contract Revenue		
Human Settlement Project	61 976 666	10 510 710
INEP Project	15 354 272	18 549 216
	77 330 938	**29 059 926**

Contract Costs		
Human Settlement Project	61 976 666	10 510 710
INEP Project	15 354 272	18 549 216
	77 330 938	**29 059 926**

Retention of contracts in progress are R6 579 649.20-(2024; R3 947 145.80). These amounts have also been disclosed in Note 8 (R46 380 154) R1 826 724.:

Contracts in progress at statement of financial position date		
Human Settlements Retentions	5 750 709	-
INEP Retentions	828 940	3 947 146
	6 579 649	**3 947 146**

Gross amounts due to and from customers for contract work are included in the payables from exchange transactions and receivables from exchange transactions respectively.

2024	**Opening Balance**	**Expenditure recognised**	**Contributions received**	**Total**
Human Settlements Project	252 845	10 510 719	(8 936 840)	1 826 724
INEP Project	-	18 533 043	(18 533 043)	-
	252 845	**29 043 762**	**(27 469 883)**	**1 826 724**

2025	**Opening Balance**	**Expenditure recognised**	**Contributions received**	**Total**
Human Settlements Project	1 826 724	61 976 665	(17 423 236)	46 380 153

30. Property rates

Agricultural property	3 861	1 725
Business and commercial properties	3 144 161	1 955 243
Communal land	924 100	-
Municipal properties	(924 100)	-
Public service infrastructure properties	95	213
Residential properties	3 634 041	1 713 936
State-owned properties	8 857 220	16 443 038
Total	**15 639 378**	**20 114 155**

		2025 R	2024 R

30. Property rates (continued)

Valuation as at 30 June 2025

	2025 R	2024 R
Agricultural property	1 485 000	-
Business and commercial properties	197 746 000	129 324 400
Communal land	355 423 000	-
Farm properties	271 004 000	-
Municipal properties	120 782 000	430 075 000
National monument properties	19 793 000	28 628 000
Public service infrastructure properties	6 000	14 000
Public service purposes properties	546 742 000	1 071 060 200
Residential properties	323 084 000	178 042 400
Residential vacant	10 201 000	-
Less: Income forgone	(22 280 000)	(22 230 000)
Total property valuations	**1 823 986 000**	**1 814 914 000**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 2024/07/01. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The general valuation roll of the municipality will be valid for a period of 5 years. After this period, the municipality, will perform another extensive general valuation.

The general valuation of the municipality was performed by Primeland Properties (Pty) Ltd. The valuation was performed by a professional valuer,

Key assumptions used:

The building rate per sqm is based on Aecom data published for the years 2023/2024. The rate is further adjusted, taking into account the nature and condition of the building.

The valuation assumptions are based on market data and trends obtained from the Rode Report 2023/Q4.

Residential Vacant Land - Comparison Method

Commercial Vacant Land - Comparison Method

Residential Properties - Comparison Method

Farms - Comparison method

Farm properties/Vacant - Comparison Method

Institutional properties- Cost Method

31. Transfers and subsidies - Revenue

		2025 R	2024 R
Operational			
Transfers and subsidies	31.1	357 119 365	337 563 715
Capital			
Transfers and subsidies	31.2	141 221 445	75 713 458
Total		**498 340 810**	**413 277 173**

The prior year comparatives have been restated and re classified, please refer to note 60 for more detail information.

Notes to the Annual Financial Statements

		2025 R	2024 R

31. Transfers and subsidies - Revenue (continued)

31.1 Transfers and subsidies - Operational

	2025 R	2024 R
Departmental agencies and accounts	347 555	318 774
National governments	7 178 699	8 535 631
National revenue fund	348 923 000	328 179 000
Provincial government	670 111	530 310
Total	**357 119 365**	**337 563 715**

National Governments

	2025 R	2024 R
Expanded Public Works Programme Integrated Grant	1 660 392	1 707 972
Local Government Financial Management Grant	1 599 701	1 649 827
Municipal Infrastructure Grant	3 314 319	3 383 071
Neighbourhood Development Partnership Grant	604 287	1 794 752
Integrated National Electrification Programme Gran	-	9
	7 178 699	**8 535 631**

31.2 Transfers and subsidies:- Capital

	2025 R	2024 R
National government	141 221 445	75 713 458

Revenue recognised per grant

	2025 R	2024 R
Municipal Infrastructure Grant	67 969 710	64 339 524
Neighbourhood Development Partnership Grant	3 231 400	441 952
Municipal Disaster Relief Grant	70 020 335	10 931 982
	141 221 445	**75 713 458**

32. Fines, penalties and forfeits

	Note	2025 R	2024 R
Fines	32.1	400 325	304 657

32.1 Fines

Other fines	2025 R	2024 R
Law enforcement	291 180	285 800
Pound fees	109 145	18 857
	400 325	**304 657**

33. Employee related cost

	Note	2025 R	2024 R
Senior management	33.1	10 269 105	6 876 838
Municipal staff	33.2	174 404 141	162 527 034
Total		**184 673 246**	**169 403 872**

The prior year comparatives have been restated and re classified, please refer to note 60 for more detail information.

33. Employee related cost (continued)

33.1 Senior management costs

2025

	Municipal manager- Mr. S. Mvunelo (from September)	Chief financial officer-Mr. L. Manjingolo	Senior manager corporate - Mrs. T. Ndamase - Tshisa	Senior manager Infrastructure -Mr. S. Nkcithiso	Senior manager community services - Rev. Sikhuni	Senior manager Operations - Mr. S. V. Poswa	Senior manager Planning and Development - Mr. G. N. Cekwana	Total
Basic salary	3 671 667	922 785	106 737	492 186	782 473	929 363	782 523	7 687 734
Acting allowance	43 012	-	133 065	6 588	-	157 835	5 992	346 492
Service-related benefits	135 619	-	188 443	-	-	23 305	-	347 367
Allowances	198 354	229 509	23 907	114 754	307 226	249 849	307 226	1 430 825
Bargaining council	120	143	-	-	-	143	143	549
Medical	-	-	4 382	76 503	114 754	57 377	57 377	310 393
Pension	-	-	-	76 503	-	-	57 377	133 880
Unemployment insurance	1 771	2 125	177	1 417	2 125	2 125	2 125	11 865
	4 050 543	**1 154 562**	**456 711**	**767 951**	**1 206 578**	**1 419 997**	**1 212 763**	**10 269 105**

	2025 R	2024 R

33. Employee related cost (continued)

Acting allowances		
Acting CFO (N. Tukela-Langa) from August 2023 - January 2024	-	83 876
Acting CFO (Z. Mkuzo) from February - March 2024	-	13 090
Acting CFO (Z. Madyibi) from April - May 2024	-	19 186
Acting MM (G.N. Cekwana) from August 2023 - April 2024	-	181 571
Acting MM (S. Mvunelo) from May-June 2024	-	40 349
Acting SM: Infrastructure (J Yengane) from October 2023 - June 2024	-	14 184
Acting SM: Infrastructure (J Yengane) from October 2023 - June 2024	-	14 184
Acting SM: Corporate Services (T. Tshisa) from May - June 2024	-	19 186
Acting SM: Community Services (Sheyi) in March 2024	-	1 430
Acting MM (S. Mvunelo) from July 2024-August 2024	43 012	-
Acting MM (S.V. Poswa) from December 2024-June 2025	145 888	-
Acting SM:Operations (N. Kolwane) from December 2024-June 2025	11 947	-
Acting SM: Corporate Services (T. Tshisa) from July 2024-May2025	133 065	-
Acting SM: Infrastructure (T. Matikita) in October 2024	1 647	-
Acting SM: Infrastructure (Y. Yengane) from July 2024-September 2024	4 941	-

2024	Chief Financial officer: Benxa	Chief Financial officer: L. Manjingolo
Basic Salary	149 542	78 688
Service-related benefits	158 476	-
Allowance	13 886	13 886
Bargaining council	11	11
UIF	271	177
	322 186	**92 762**

33. Employee related cost (continued)

2024

	Municipal manager - Mr. S. Mvunelo	Chief financial officer - Mr. L. Manjingolo	Senior manager Planning and Development - Mr. G. N. Cekwana	Senior manager corporate - Mrs. T. Ndamase - Tshisa	Senior manager Infrastructure -Mr. J. Yengane	Senior manager community services - Rev. Sikhuni	Senior manager Operations - Mr. S. V. Poswa	Total
Basic salary	268 277	223 480	1 088 097	237 843	1 406 870	949 948	719 227	4 893 742
Acting allowance	393 104	232 303	(34 263)	9 853	(38 531)	(64 090)	28 369	526 745
Settlement	(466 704)	316 952	-	75 742	-	233 053	-	159 043
Allowances	33 824	21 232	166 633	41 658	238 817	215 059	228 053	945 276
Bargaining council	11	23	137	34	-	137	137	479
Medical	5 637	-	-	27 772	58 314	111 089	55 544	258 356
Pension	-	-	-	27 772	-	-	55 544	83 316
Unemployment insurance	354	319	2 125	708	2 125	2 125	2 125	9 881
	234 503	**794 309**	**1 222 729**	**421 382**	**1 667 595**	**1 447 321**	**1 088 999**	**6 876 838**

		2025 R	2024 R

33. Employee related cost (continued)

33.2 Municipal staff costs

	2025	2024
Basic salary	101 734 864	94 350 957
Bonuses	8 077 982	7 685 572
Service-related benefits	14 077 747	12 767 384
Allowances	11 775 452	12 116 829
Bargaining council	44 059	41 320
Group life insurance	6 571 932	5 759 765
Medical	11 569 993	10 544 878
Skills Development Fund Levy	1 747 126	1 627 732
Pension	17 174 941	15 963 174
Current service cost	942 000	994 000
Unemployment insurance	688 045	675 423
Total	**174 404 141**	**162 527 034**

Services related benefits

	2025	2024
Acting and Post Related Allowances	1 525 797	1 555 566
Long service award	926 521	550 324
Standby Allowance	1 313 475	1 005 794
Overtime non structured	11 590	8 921
Overtime structured	8 445 714	8 165 127
Shift Additional Remuneration	983 086	886 211
Night Shift	871 564	595 441
	14 077 747	**12 767 384**

Allowances

	2025	2024
Cellular and Telephone	-	1 399
Rental Subsidy	3 453 496	3 366 705
Travel or Motor Vehicle	8 321 956	8 748 725
	11 775 452	**12 116 829**

34. Remuneration of councillors

	Note	2025	2024
Executive Mayor/Mayor	34.1	1 046 305	981 741
Council whip	34.2	796 483	765 165
Speaker	34.3	846 147	757 573
Executive committee	34.4	3 402 108	3 048 516
Section 79 committee chairperson	34.5	2 923 901	2 626 978
Part-time councillors	34.6	18 346 074	18 235 687
Total		**27 361 018**	**26 415 660**

34.1 Mayor

Allowances and service related benefits	2025	2024
Basic salary	999 301	933 652
Cell phone allowance	47 004	48 089
	1 046 305	**981 741**

Notes to the Annual Financial Statements

	2025 R	2024 R

34. Remuneration of councillors (continued)

34.2 Council whip

Allowances and service related benefits		
Basic salary	749 479	715 557
Cell phone allowance	47 004	49 608
	796 483	**765 165**

34.3 Speaker

Allowances and service related benefits		
Basic salary	799 143	711 882
Cell phone allowance	47 004	45 691
	846 147	**757 573**

34.4 Full Time Executive committee members

Allowances and service related benefits		
Basic salary	3 221 926	2 850 084
Cell phone allowance	180 182	198 432
	3 402 108	**3 048 516**

34.5 Part-time Executive committee members

Allowances and service related benefits		
Basic salary	2 669 296	2 399 836
Cell phone allowance	254 605	227 142
	2 923 901	**2 626 978**

34.6 Part-time councillors

Allowances and service related benefits		
Basic salary	15 925 368	15 638 971
Cell phone allowance	2 420 706	2 596 716
	18 346 074	**18 235 687**

In kind benefits

The Mayor, Speaker, Council Whip and three Executive Committee members are employed full-time. Each is provided with an office, administrative and secretarial support at the cost of the Council.

The Mayor, Speaker and Council have access to Council owned vehicles for ceremonial and official functions.

Notes to the Annual Financial Statements

		2025 R	2024 R

35. Depreciation and amortisation

Amortisation			
Intangible assets	12.1	366 719	385 770
Depreciation			
Property, plant and equipment		57 526 961	51 902 034
Total		**57 893 680**	**52 287 804**

36. Impairment losses / (reversal) of impairment

Impairment loss / Reversal of impairment			
Property, plant and equipment		18 036 809	1 909 484

37. Finance cost

37.1 Interest cost

Finance leases	20.1	55 574	84 960
Interest costs non-current provisions	19	898 451	862 842
Long service awards		894 000	900 000
Interest on overdue accounts	13.2	67 639	-
Total		**1 915 664**	**1 847 802**

38. Inventory consumed

Consumables		1 062 876	1 567 943
Materials and supplies		2 685 911	3 744 702
Water		905 100	488 040
Total		**4 653 887**	**5 800 685**

The prior year comparatives have been restated and re classified, please refer to note 60 for more detail information.

39. Debt impairment

Debt impairment	5	7 749 699	10 589 823

The prior year comparatives have been restated and, please refer to note 60 for more detail information.

40. Contracted services

Consultants and professional services	40.1	8 679 633	5 257 703
Contractors	40.2	9 160 115	12 241 109
Outsourced services	40.3	14 672 185	18 925 673
Total		**32 511 933**	**36 424 485**

The prior year comparatives have been restated and re classified, please refer to note 60 for more detail information.

Notes to the Annual Financial Statements

	2025 R	2024 R

40. Contingent liabilities (continued)

40.1 Consultants and professional services

	2025 R	2024 R
Business advisory services		
Accounting and auditing	3 291 107	1 396 742
Actuaries	21 000	19 900
Audit committee	167 149	47 167
Communications	40 000	130 988
Human resources	969 477	1 365 100
Occupational health and safety	-	200 109
Quality control	78 376	13 271
Research and advisory	1 320 100	72 000
Total business advisory services	**5 887 209**	**3 245 277**
Laboratory services		
Medical	-	8 696
Legal services		
Legal advice and litigation	1 736 884	1 013 421
Infrastructure and planning services		
Geoinformatic services infrastructure and planning	70 354	-
Land and quantity surveyors infrastructure and planning	980 986	504 313
Town planner infrastructure and planning	4 200	485 996
Total infrastructure and planning services	**1 055 540**	**990 309**
Total consultants and professional services	**8 679 633**	**5 257 703**

40.2 Contractors

	2025 R	2024 R
General services		
Artists and performers	157 500	303 800
Audio-visual services	321 636	433 354
Building	102 609	-
Electrical	-	1 026 413
Employee wellness	265 563	157 571
Plants, flowers and other decorations	535 276	61 400
Preservation/Restoration/Dismantling/Cleaning services	68 980	-
Safeguard and security	169 007	218 471
Sports and recreation	-	332 890
Stage and sound crew	79 000	121 217
Tracing agents and debt collectors	23 234	-
Total general services	**1 722 805**	**2 655 116**
Maintenance services		
Maintenance of buildings and facilities	1 538 132	2 212 967
Maintenance of equipment	1 479 522	2 171 225
Maintenance of unspecified assets	4 419 656	5 201 801
Total maintenance service	**7 437 310**	**9 585 993**
Total contractor	**9 160 115**	**12 241 109**

Notes to the Annual Financial Statements

		2025 R	2024 R

40. Contingent liabilities (continued)

40.3 Outsourced services

	2025	2024
Business and advisory services		
Accounting and Auditing	236 226	457 646
Business and Financial Management	764 665	269 934
Commissions and Committees	-	62 280
Human Resources	89 153	2 064 879
Project Management	-	11 200
Qualification Verification	83 166	24 779
Research and Advisory	631 112	711 039
Valuer	322 505	1 557 655
Total business and advisory services	**2 126 827**	**5 159 412**
General services		
Burial Services	57 700	114 250
Catering Services	5 942 419	4 464 267
Clearing and Grass Cutting Services	317 370	89 759
Drivers Licence Cards	154 638	457 147
Illegal Dumping	-	475 260
Personnel and Labour	2 885 305	3 698 046
Translators, Scribes and Editors	(863 946)	386 472
Transport Services	1 699 725	969 375
Veterinary Services	19 693	119 896
Total general services	**10 212 904**	**10 774 472**
Trading services		
Security Services	2 332 454	2 991 789
Total outsourced services	**14 672 185**	**18 925 673**

41. Transfers and subsidies

	Note	2025	2024
Operational			
Allocations in-kind	41.1	4 716 547	8 046 896
Monetary allocations	41.2	15 297	2 298 570
Total transfers and subsidies: Operational		**4 731 844**	**10 345 466**
Capital			
Allocations in-kind	41.3	726 754	4 538 535
Monetary allocations	41.4	-	2 140 200
Total transfers and subsidies: Capital		**726 754**	**6 678 735**
Total		**5 458 598**	**17 024 201**

The prior year comparatives have been restated and re classified, please refer to note 60 for more detail information.

41.1 Allocations in-kind: Operational

	2025	2024
Households	4 716 547	8 046 896

Notes to the Annual Financial Statements

	2025 R	2024 R

41. Transfers and subsidies (continued)

41.2 Monetary allocations: Operational

Households	15 297	2 298 570

41.3 Allocations in-kind: Capital

Departmental Agencies and Accounts	585 900	736 831
Households	140 854	3 801 704
Total	**726 754**	**4 538 535**

41.4 Monetary allocations: Capital

Households	-	2 140 200

42. General expenses

Advertising, Publicity and Marketing	3 106 957	3 576 867
Bank Charges, Facility and Card Fees	156 887	26 934
Bargaining Council	2 404 705	-
Communication	7 072 492	6 942 032
Eskom Connection Fees	2 322 473	1 192 687
External Audit Fees	5 170 881	4 824 043
External Computer Service	2 897 816	4 048 721
Fines and Penalties	687 553	-
Hire Charges	5 846 651	5 707 620
Insurance Underwriting	2 764 961	1 637 690
Learnerships and Internships	591 666	600 000
Licences	458 126	334 882
Printing, Publications and Books	477 183	255 588
Professional Bodies, Membership and Subscription	271 834	59 727
Registration Fees (Conference and seminars)	204 940	179 050
Remuneration to Ward Committees	8 799 720	7 589 560
Sitting Allowance for Traditional Leaders	120 000	109 000
Signage	395 000	-
Transport Provided as Part of Departmental Activit	-	24 000
Travel and Subsistence	13 642 536	17 061 608
Uniform and Protective Clothing	3 981 492	817 946
Vehicle Tracking	13 965	131 152
Wet Fuel	5 003 013	4 913 435
Workmen's Compensation Fund	964 350	921 834
Total	**67 355 201**	**60 954 376**

43. Operating leases

Furniture and Office Equipment	160 883	258 425

44. Construction contract cost

Attributable construction contract cost	77 330 939	29 059 935

The construction contract expenditure for the contractor were as follows: R77,330,939 (2024: R29,059,935, 2023: R9,343,089)

Notes to the Annual Financial Statements

	2025 R	2024 R

45. Gain/(Loss) on disposal of fixed and intangible assets and wet fuel

Gains/(losses) on disposals	(2 147 666)	(11 045 429)
Gains/(losses) onwet fuel loss	-	(2 241 108)
Total	**(2 147 666)**	**(13 286 537)**

46. Fair value adjustment

Investment property	2 957 300	4 546 900

The prior year comparatives have been restated and re classified, please refer to note 60 for more detail information.

47. Inventory (write down)

Inventory	(202 747)	(71 758)

48. Actuarial gains and losses

Actuarial Assessments	1 571 000	1 528 000

49. Auditor's remuneration

External Audit Fees	5 170 881	4 824 043

50. Net cash from/(used) operating activities

Surplus for the year	171 994 453	100 052 559
Adjustments for:		
Depreciation and amortisation	57 893 680	52 295 972
Acturial gain/loss	(1 571 000)	(1 528 000)
(Gains) / Losses on disposal of assets	2 147 666	13 286 537
Fair value adjustment	(2 957 300)	(4 546 900)
Movement in employee benefit liability	2 323 908	1 490 546
Increase / (Decrease) in provisions	2 060 795	423 078
Impairment loss	26 454 685	12 499 307
Finance cost	-	947 792
Bank and cash movements	-	(3 001 411)
Donations received	(78 418)	-
PPE Transfers	-	3 870 501
Movement in working capital		
(Increase) / Decrease in receivables from non-exchange transactions	(3 569 006)	(16 050 199)
(Increase) / Decrease in inventory	(51 709)	(422 936)
(Increase) / Decrease in receivables from exchange transactions	(1 219 323)	(662 315)
(Increase) / Decrease in construction contract	(44 553 430)	(1 573 879)
(Increase) / Decrease in VAT	(10 998 921)	6 567 481
Increase / (Decrease) in trade and other payables exchange	23 511 085	7 084 094
Increase / (Decrease) in unspent conditional grants and receipts trade and other payable non-exchange transactions	(36 992 258)	58 039 853
Increase / (Decrease) in retention	-	(5 627 542)
Increase / (Decrease) in income received in advance	548 230	6 902 874
Net cash flows from operating activities	**184 943 137**	**230 047 412**

51. Financial instruments

51.1 Fair value of financial instruments

The management of the entity is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the annual financial statements approximate their fair values. Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of financial position, are as follow:

		2025		2024	
		Carrying amount	**Amortised cost**	**Carrying amount**	**Amortised cost**
Financial assets					
Amortised cost					
Trade and other receivables from exchange transactions	4	232 200	232 200	171 078	171 078
Construction contracts & receivables		46 380 154	46 380 154	1 826 724	1 826 724
Cash and cash equivalents	3	554 671 574	554 671 574	515 439 016	515 439 016
		601 283 928	**601 283 928**	**517 436 818**	**517 436 818**
Trade and other payables:					
Trade and other payables from exchange transactions	13	33 406 401	33 406 401	9 852 709	9 852 709
Retention		44 804 638	44 804 638	26 845 108	21 796 953
Income received in advance		2 867 968	2 867 968	2 319 738	2 319 738
		81 079 007	**81 079 007**	**39 017 555**	**33 969 400**
Total financial instruments		**520 204 921**	**520 204 921**	**478 112 154**	**483 160 309**

51.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market interest rates not applicable to the municipality, there were no loans during the year.

Interest rate risk is not applicable to the municipality as there were no loans taken during the year and the penalty interest on outstanding debtors is fixed at 10%.

51.3 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The entity expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The entity expects to maintain its current debt to equity ratio. This will be achieved through the annual increase in tariffs to maintain the accumulated surplus, as well as the increased use of unsecured bank loan facilities.

51.4 Credit risk management

Credit risk is the risk that a counterparty to a financial asset will fail to discharge an obligation and cause the municipality to incur a financial. Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates and refuse.

Notes to the Annual Financial Statements

		2025 R	2024 R

51. Financial instruments (continued)

Nyandeni Local Municipality endeavours to collect all debts owed to the municipality by sending statements monthly to remind debtors, levying of penalty charges and as a last resort hand over debtors to the debt collection agent. All rates and services are payables within 30 days from invoice date, refer to notes 4 & 5 for all balances outstanding longer than 30 days. These debtors represent all debtors at year end which defaulted on their credit terms.

Cash and cash equivalents consist of short term investments and the primary bank account of the municipality. Short term investments are held in two banking institutions namely First National Bank and Standard Bank, this ensures that the municipality enjoys diversified interest rates.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follow:

Construction contract receivables		46 380 154	1 826 724
Bank and cash balances	3	554 671 574	515 439 016
Trade and other receivables from exchange transactions	4	232 200	171 078
Maximum credit and interest risk exposure		**601 283 928**	**517 436 818**

Notes to the Annual Financial Statements

	2025 R	2024 R
52. Contingent liabilities		
1. Makateko Tobile Wilson Ngendle vs Nyandeni Local Municipality (Case no. 2298/2019)	20 000 000	20 000 000

The municipality is being sued by the Plaintiff for the registration of a servitude on plaintiff's property and construction or installation of a pipeline drainage system on the plaintiff's property.
The municipality has filed its Notice of Intention to Defend and the parties are currently exchanging pleadings.

2. Tiny Mandisa Gusha vs Nyandeni Local Municipality (Case no. 3803/2019). The municipality is being sued for damages incurred as a result of the flooding of the Plaintiff's homestead and damage to his goods. The municipality is alleged to have failed to install a proper drainage system. The municipality is defending the matter as t117he damage was caused by a natural disaster.	200 000	200 000
3. Vuyisile Alex Notayi vs Nyandeni Local Municipality (Case no. 3805/2019)	200 000	200 000

The municipality is being sued for damages incurred as a result of the flooding of the Plaintiff's homestead and damage to his goods. The municipality is alleged to have failed to install a proper drainage system.
The municipality is defending the matter as the damage was caused by a natural disaster.

4. Zukisani Mpeto vs Nyandeni Local Municipality (Case no EC/Mthatha/RC58/2021)	400 000	400 000

The municipality is being sued for injuries suffered by the Plaintiff while allegedly on duty. The municipality is defending the matter while pointing out to the Plaintiff that it is the duty of the compensation commissioner to compensate any person who suffers injury while on duty.

5. Pumzile Tokwe vs Nyandeni Local Municipality (Case no EC/Mthatha/RC57/2021)	400 000	400 000

The municipality is being sued for injuries suffered by the Plaintiff while allegedly on duty. The municipality is defending the matter while pointing out to the Plaintiff that it is the duty of the compensation commissioner to compensate any person who suffers injury while on duty.

6. Zameka Golode vs Nyandeni Local Municipality and Others (Case no. 115/2018)	200 000	200 000

The municipality is being sued for an alleged unlawful arrest by the officers of the Municipality of a person who was caught vandalizing municipal property.
The municipality is defending the matter and the parties are still exchanging pleadings.

7. Ndikuphiwe Qaku vs Nyandeni Local Municipality (Case no. 3804/2019)	200 000	200 000

The municipality is being sued for damages incurred as a result of the flooding of the Plaintiff's homestead and damage to his goods. The municipality is alleged to have failed to install a proper drainage system.
The municipality is defending the matter as the damage was caused by natural disaster.
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	2025 R	2024 R
52. Contingent liabilities (continued)		
8. Nokwandla Mahlathi vs Nyandeni Local Municipality (Case no. 2344/2020)	2 000 000	2 000 000
The municipality is being sued for a sum of R2 000 000. The municipality is defending the matter.		
9. Hercules Salmon Hudson vs Nyandeni Local Municipality (Case no. 31/2022)	28 737	28 737
The municipality is being sued for damages to the Plaintiff's motorcycle which allegedly caused by a pothole at or near the R61, Canzibe. This is not municipal road and as such the municipality does not have a duty to maintain same. The municipality has filed its intention to defend the matter while pointing out that this is not a municipal road.		
10. Atmose Trading (Pty) Ltd vs Nyandeni Local Municipality (Case no. 2207/2022)	2 000 000	2 000 000
The municipality is being sued for an alleged loss of income because of a car that was impounded in 2019 and which was allegedly used for business. The municipality is defending the matter, even though the applicant has been informed that the motor vehicle is available for collection		
11. Thabisa Joyce Mqoboli vs Nyandeni Local Municipality (Case no. 4504/2022)	1 800 000	1 800 000
The plaintiffs are suing the municipality for general damages as a result of an alleged assault by the members of the municipality		
12. Chule Consulting Engineers CC vs Nyandeni Local Municipality (Case no. 2993/2022)	29 210 191	29 210 191
The Plaintiff is suing the municipality for an alleged breach of contract stemming from a service level agreement between the parties and the non-payment of invoices		
13. Sibusiso Kotana vs Nyandeni Local Municipality (Case no. 93/2022)	26 939	26 939
The municipality is being sued for damages due to an accident of the plaintiff's motor vehicle caused b y a pothole in an unknown road.		
14. Michael Thobile Mkhosana vs Nyandeni Local Municipality (Case no. 3392/2021)	600 000	600 000
The Plaintiff is suing the municipality for general damages for defamation.		
	57 265 867	**57 265 867**

At the time of reporting the uncertainty relating to the amount and timing of contingent liabilities could not be determined; however, a reasonable estimate has been disclosed

The municipality had no contingent liabilities arising from post-employment benefit obligation during the year under review

53. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Notes to the Annual Financial Statements

	2025 R	2024 R

54. Unauthorised, irregular, fruitless and wasteful expenditure

54.1 Irregular expenditure

	2025 R	2024 R
Opening balance as previously reported	271 615 003	103 217 003
Add: Irregular expenditure - current	234 347 870	168 398 000
Add: Deviations from SCM regulations - current	6 820 257	-
Less: Amounts written-off – prior period	(344 346 319)	-
Closing balance	**168 436 811**	**271 615 003**

The irregular expenditure disclosed above are results from non- compliance with Regulation 29 of the MFMA: SCM Regulations and non-compliance with section 112 (e) – (f) of the MFMA. These are old contracts awarded in the prior year. Others include non-compliance with the Fleet Management Policy and incorrect application of Regulation 36 of the MFMA: SCM Regulations.

Breakdown of irregular expenditure incurred during the 2024 and 2025 financial years:

	2025 R	2024 R
Reasons		
Non-compliance with section 112 (e) – (f) of the MFMA	226 726 459	112 184 881
Non-Compliance with Regulation 29 of the MFMA: SCM Regulations	2 932 358	51 600 079
Non-compliance with Fleet Management Policy	4 034 878	3 947 420
Incorrect application of Regulation 36 of the MFMA: SCM Regulations	654 175	665 620
Total	**234 347 870**	**168 398 000**

An amount of R344 346 319 was written off by council as an irrecoverable amount. Council meeting held on the 29 May 2025. The expenditure written off related to Prior Year Contracts.

	2025 R	2024 R

54. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

54.2 Fruitless and wasteful expenditure

Opening balance as previously reported	4 984 680	278 088
Add: Fruitless and wasteful expenditure – current	3 649 378	2 253 036
Add: Fruitless and wasteful expenditure expenditure – prior period	-	2 725 998
Less: Amounts written-off – prior period	(11 928)	(272 442)
Closing balance	**8 622 130**	**4 984 680**

Amount of R2 725 998 Included in the fruitless and wasteful expenditure opening balance relate to over payment of a consultant for DR301 Project. Also an amount of R2 241 108,36 is included in the opening fruitless and wasteful expenditure balance which relates to fuel expenditure incurred through suspected fraud and theft through the misuse of fuel and theft cards. There is an ongoing internal investigation relating to this expenditure and a case of fraud and theft has been opened with the South African Police Station. An Interest of R11 928 was charged on Overdue accounts.

Amount of R11 928 was written off in the current year as irrecoverable amount. Council Meeting date – 29 May 2025

In the Current Year, The muncipality incurred overdue accounts that amount to R8 930

In the current year, the muncipality incurred fruitless expenditure amounting to R2 885 255.94 relating to the early termination of the fixed term contract of the Municipal Manager that was appointed in the current year from 1st September 2024 to 31st August 2027. The amount is made up of R2 795 257.13 for the total remuneration of the 24 months period, as well as R 89 998.81 in respect of leave days)

In the Current Year , The muncipality incurred penalties and interest to SARS on the late payment of VAT. The fruitless expenditure amounted to penalties of R687 553.11 and Interest of R67 638.67, totalling R755 191.78.

During the current year an amount of R11 928 was written off by council - Council meeting date - 29 May 2025

Incident	Disciplinary steps/criminal proceedings		
Interest paid	Refered to MPAC for investigation	8 930	11 928
Loss on fuel	A case was opened with SAPS	2 241 108	2 241 108
Overpaid amount	Refered to MPAC for investigation	2 731 644	2 731 644
Termination of fixed term contract	Signed agreement between employee and employer	2 885 257	-
Penalties and Intrest	Dispute in progress	755 191	-
Total		**8 622 130**	**4 984 680**

55. Additional disclosure in terms of Municipal Finance Management Act

SALGA Contributions

Current year subscription / fee	2 404 705	2 311 014
Amount paid - current year	(2 404 705)	(2 311 014)
Amount approved by the director and noted by council	**-**	**-**

Audit fees

	2025 R	2024 R

55. Additional disclosure in terms of Municipal Finance Management Act (continued)

	2025 R	2024 R
Current year subscription / fee	7 327 280	4 840 125
Amount paid - current year	(7 236 003)	(4 840 125)
Amount approved by the director and noted by council	**91 277**	**-**

PAYE and UIF

	2025 R	2024 R
Current year subscription / fee	33 265 489	29 788 363
Amount paid - current year	(30 317 845)	(29 788 363)
Amount approved by the director and noted by council	**2 947 644**	**-**

Pension deductions

	2025 R	2024 R
Current year subscription / fee	27 039 793	25 203 204
Amount paid - current year	(27 039 793)	(25 203 204)
Amount approved by the director and noted by council	**-**	**-**

Medical aid deductions

	2025 R	2024 R
Current year subscription / fee	20 091 725	18 096 029
Amount paid - current year	(20 091 725)	(18 096 029)
Total	**-**	**-**

In the prior year Medical aid and Pension fund were consolidated but in the current year have been splitted

Value Added Tax

	2025 R	2024 R
VAT Refund	19 044 468	6 551 003
VAT Receivable / Payable	(13 483 757)	11 255 838
Total	**5 560 711**	**17 806 841**

Councillors' arrear consumer accounts

	2025			2024		
	Outstanding less than 90 days	**Outstanding more than 90 days**	**Total**	**Outstanding less than 90 days**	**Outstanding more than 90 days**	**Total**
Yehane N.	-	10 645	**10 645**	525	14 843	**15 368**
Feketshane N.	-	10 570	**10 570**	525	11 765	**12 290**
Mthanda N.P	213	506	**719**	719	225	**944**
Total	**213**	**21 721**	**21 934**	**1 769**	**26 833**	**28 602**

Notes to the Annual Financial Statements

	2025 R	2024 R

56. Related party disclosures

56.1 Nature of related party relationships

Relationships	**Refer to Accounting Officer's report note**
Accounting Officer	Mr. S.V. Poswa
Councillors	Refer to general information page
Members of key management	Mr. S. Mvunelo - Municipal Manager
	Mr. S.V. Poswa - Acting Municipal Manager
	Ms. N. Kolwane - Acting SM Operations
	Ms. T. Tshisa-Ndamase - SM Corporate Service
	Mr. T. Matikita - Acting SM Infrastructure
	Mr. J. Yengane - Acting SM Infrastructure
	Mr. S. Nkcithiso - SM Infrastructure

Related parties that have been identified by the municipality are section 57 managers and councillors. These related parties are further disclosed in note 33 and note 34.

56.2 Related party transactions

Compensation to councillors - Payments to councillors are for allowances as gazetted. No other payments are made to councillors. Refer to Note 34 for remuneration of councillors.

57. Awards to close family members - SCM Regulation 45

Awards to close family members of persons in the service of Nyandeni Local Municipality

Supplier name	**Employee name**	**Relationship**	**Department**	2025	2024
Morrie Gee Spiral (Pty) Ltd	Yandiswa Mabengwane-Morrison	Spouse	Nyandeni Local Municipality	1 190 017	-
Ndira and Lutho Investments	Zanele Sidoyi	Spouse	Nyandeni Local Municipality	514 062	-
				1 704 079	**-**

58. Deviations from SCM regulations - SCM Regulation 36

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been approved.

Impractical to follow official procurement processes	6 820 257	8 895 982

59. Capital commitments

Authorised capital expenditure

Approved and contracted for:		
Infrastructure	117 809 719	114 652 284

60. Prior year error and reclassification

TRANSFERS & SUBSIDIES

Reclassification of transfers and subsidies into split of Operational and Capital

DONATIONS

Reclassification from transfers and subsidies

The following restatements and adjustments occurred which are set out below:

STATEMENT OF FINANCIAL PERFORMANCE

Employee costs -correction of overtime (R114,164) and Senior Management accrual reversal (R247,395)

Debt impairment - correction of impairment calculation error

Contracted services - correction of error on repairs and maintenance

Fair value adjustment - Investment property adjustment in terms of amended methodology

STATEMENT OF FINANCIAL POSITION

Trade and other receivables - correction of error on impairment

Statutory receivables - correction of impairment calculation error

Investment properties - Investment property adjustment in terms of amended methodology

Inventory - reclassification of CS votes from inventory to repairs

Cash and Cash equivalent - Reclassification between cash and cash equivalents, and trade and other payables from exchange transactions

Property plant and equipment - Correction of error - Reclassification to payables from exchange transactions

Trade and other Payables from exchange transactions - between cash and cash equivalents, and trade and other payables from exchange transactions

Employee benefit -Overtime Correction

Unspent conditional grants - correction of error, misclassification of DEDEAT and LG SETA

DISCLOSURES

Irregular expendture - incomplete irregular expendediture correction

Capital commitments - inclusion of accruals previously omitted correction

Notes to the Annual Financial Statements

60. Prior year error and reclassification (continued)

60.1 Adjustments of Statement of financial performance items

2024

	Note	Previously restated	Correction of error	Re-classification	Restated
Revenue					
Exchange revenue					
Services charges – Waste management	21	647 043	-	-	**647 043**
Interest earned from investments	28	474 737	-	-	**474 737**
Agency services	26	1 038 162	-	-	**1 038 162**
Interest earned from receivables	24	209 168	-	-	**209 168**
Interests earned from investments	23	46 426 082	-	-	**46 426 082**
Licence and permits	25	2 623 072	-	-	**2 623 072**
Rental of facilities, land and equipment	22	40 660	-	-	**40 660**
Operational revenue	27	1 612 429	-	-	**1 612 429**
Constuction contract revenue	29	29 059 926	-	-	**29 059 926**
		82 131 279	**-**	**-**	**82 131 279**
Non-exchange revenue					
Property rates	30	20 114 155	-	-	**20 114 155**
Fines, penalties and forfeits	32	304 657	-	-	**304 657**
Transfers and subsidies – Operational	31	413 325 351	-	(75 761 636)	**337 563 715**
Transfers and subsidies – Capital	31	-	-	75 713 458	**75 713 458**
Interest earned from receivables	24	3 425 242	-	-	**3 425 242**
Donations		-	-	60 000	**60 000**
		437 169 405	**-**	**11 822**	**437 181 227**
Total revenue		**519 300 684**	**-**	**11 822**	**519 312 506**
Expenditure					
Employee related cost	33	169 770 181	(366 309)	-	**169 403 872**
Remuneration of councillors	34	26 415 660	-	-	**26 415 660**
Inventory consumed	38	5 800 685	-	-	**5 800 685**
Debt impairment	39	7 300 253	3 289 570	-	**10 589 823**
Depreciation and amortisation	35	52 287 804	-	-	**52 287 804**
Impairment losses / (reversal) of impairment	36	1 909 484	-	-	**1 909 484**
Finance cost	37	1 847 802	-	-	**1 847 802**
Contracted services	40	37 281 870	(857 385)	-	**36 424 485**
Transfers and subsidies	41	17 024 202	-	-	**17 024 202**
Operating leases	43	258 425	-	-	**258 425**
General expenses	42	60 954 376	-	-	**60 954 376**
Construction contract cost	44	29 059 935	-	-	**29 059 935**
Total expenditure		**409 910 677**	**2 065 876**	**-**	**411 976 553**
Gains/(losses) on disposals	45	13 286 537	-	-	**13 286 537**
Fair value adjustments	46	(5 344 800)	797 900	-	**(4 546 900)**
Inventories (write-down)	47	71 758	-	-	**71 758**
Actuarial gains	48	(1 528 000)	-	-	**(1 528 000)**
		6 485 495	**797 900**	**-**	**7 283 395**
Surplus for the year		**102 904 512**	**(2 863 776)**	**11 822**	**100 052 558**

60.2 Adjustments of Statement of financial position items

2024

	Note	Previously reported	Correction of error	Restated
Assets				

60. Prior year error and reclassification (continued)

Current assets				
Cash and cash equivalents	3	515 416 522	22 494	**515 439 016**
Trade and other receivables from exchange transactions	4	547 978	(376 900)	**171 078**
Statutory receivables	5	17 706 691	(3 204 464)	**14 502 227**
Inventories	6	1 870 888	-	**1 870 888**
VAT Receivable	7	6 551 003	-	**6 551 003**
Construction contracts receivables	8	1 826 724	-	**1 826 724**
		543 919 806	**(3 558 870)**	**540 360 936**
Non-current assets				
Investment property	9	90 776 900	(835 500)	**89 941 400**
Property, plant and equipment	10	801 430 582	620 970	**802 051 552**
Intangible assets	12	1 511 784	-	**1 511 784**
		893 719 266	**(214 530)**	**893 504 736**
Total assets		**1 437 639 072**	**(3 773 400)**	**1 433 865 672**
Liabilities				
Current liabilities				
Employee benefits	18	20 685 256	(639 012)	**20 046 244**
Trade and other payables from exchange transactions	13	9 830 215	22 494	**9 852 709**
Unspent conditional grant	14	64 282 573	(712 075)	**63 570 498**
Provisions	19	898 450	-	**898 450**
VAT Payable	17	11 255 838	-	**11 255 838**
Income received in advance	15	2 319 738	-	**2 319 738**
Retentions	16	26 845 108	-	**26 845 108**
		136 117 178	**(1 328 593)**	**134 788 585**
Non-current liabilities				
Finance lease liabilities	20	684 009	-	**684 009**
Employee benefits	18	6 518 000	-	**6 518 000**
Provisions	19	6 626 267	-	**6 626 267**
		13 828 276	**-**	**13 828 276**
Total liabilities		**149 945 454**	**(1 328 593)**	**148 616 861**
Community Wealth / Equity				
Accumulated surplus		1 287 712 238	(3 175 502)	**1 284 536 736**

60.3 Adjustments of Cash flow statement items

	Note	Previously reported	Reclassification	Restated
Cash flows from operating activities				
Receipts				
Property rates		7 720 353	15 819 044	**23 539 397**
Service charges		69 806	(5 277 239)	**(5 207 433)**
Operational revenue		38 805 298	(18 479 187)	**20 326 111**
Transfers and Subsidies – Capital		471 346 607	(64 263 967)	**407 082 640**
Interest		50 060 492	(3 634 409)	**46 426 083**
Dividends		-	304 657	**304 657**
		568 002 556	**(75 531 101)**	**492 471 455**
Payments				
Suppliers and employees		(325 097 946)	80 184 553	**(244 913 393)**
Finance charges		(260 186)	(1 587 616)	**(1 847 802)**
Transfers and subsidies		(13 382 059)	31 293	**(13 350 766)**
		(338 740 191)	**78 628 230**	**(260 111 961)**
Net cash from(used) operating activities		**229 262 365**	**3 097 129**	**232 359 494**
Cash flows from investing activities				
Receipts				

Notes to the Annual Financial Statements

60. Prior year error and reclassification (continued)

Proceeds on disposal of fixed and intangible assets	-	(13 286 537)	**(13 286 537)**
Payments			
Decrease in investments	(33 434)	(4 166)	**(37 600)**
Property, plant and equipment	(138 335 250)	10 142 677	**(128 192 573)**
Intangible assets	-	352 336	**352 336**
	(138 368 684)	**10 490 847**	**(127 877 837)**
Net cash flows from investing activities	**(138 368 684)**	**(2 795 690)**	**(141 164 374)**
Cash flows from financing activities			
Payments			
Decrease in short term loans	(308 051)	(44 285)	**(352 336)**
Net increase/ (decrease) in cash	**90 585 630**	**257 154**	**90 842 784**
Cash and cash equivalents at the beginning of the year	424 830 892	(354 145)	**424 476 747**
Cash and cash equivalents at the end of the year	515 416 522	22 494	**515 439 016**
Net increase/ (decrease) in cash	**90 585 630**	**376 639**	**90 962 269**

The prior year cash flow figures where reclassified to reflect the changes in the Statement of Performance and Statement of Position prior year adjustments as disclosed above

61. Budget differences

Explanation of variances between approved and final budget amounts

The budget has been prepared on the accrual basis of accounting in accordance with the prescripts of the Municipal budget regulations as well as MFMA budget circulars. In accordance with the Municipal budget regulations, the classification basis the municipality presents its budget is per economic as well as per functional classification (per Vote (Department) and GFS classification). It should be noted that minor budget differences between the basis the budget is prepared (accrual basis and prescripts of NT guidance) and actual financial results (accrual basis in accordance with GRAP) exists, mainly related to technical GRAP adjustments required. These differences are not material and as the basis of preparation is the same (accrual basis) no restatements have been made to the financial information compared to the budgeted amounts, but where found to be material is explained below:

61. Budget differences (continued)

61.1. Statement of financial position

FinPos1

Variance due to improved cashflow

FinPos2

Variance due to decrease in revenue collection.

FinPos3

Variance due to higher impairment in current year

FinPos4

Variance due to less inventory consumed during the year

FinPos5

Variance due to current disclosure of VAT.

FinPos6

Variance due to material error in the budget.

FinPos7

Variance due to fair value adjustment based on expert's report

FinPos8

Variance due to current year additions.

FinPos9

Variance due to less additions in intangible assets.

FinPos10

Variance due to finance lease not provided for in the budget.

FinPos11

Varience due to early settlement of creditors

FinPos12

Variance due to material error in the budget

FinPos13

Variance due to material error in the budget

FinPos14

Variance due to current VAT disclosure.

FinPos15

61. Budget differences (continued)

Variance due to finance leases not provided for in the budget.

FinPos16

Variance due to material error in the budget

61. Budget differences (continued)

61.2. Statement of financial performance

Statement of financial performance

FinPerf1

Due to improved revenue collection..

FinPerf2

Due to mSCOA classification. .

FinPerf3

Decline due to temporary closure of the service in the previous financial years which has not picked up in the current financial year.

FinPerf4

Due to current economic conditions.

FinPerf5

Variance is within 10% threshold

FinPerf6

Due to improved revenue collection.

FinPerf7

Due to improved collection of revenue

FinPerf8

Decline due to temporary closure of the service in the previous financial years which has not picked up in the current financial year.

FinPerf9

Increase is due to insurance claims received.

FinPerf10

Due to implementation of supplementary roll

FinPerf11

Variance due to decline in collection from traffic fines.

FinPerf12

Decline due to temporary closure of the service in the previous financial years which has not picked up in the current financial year.

FinPerf13

Misclassification of the Human Settlements Revenue on the approved budget.

FinPerf14

61. Budget differences (continued)

Due to current economic conditions

FinPerf15

No gains realised on disposal of assets

FinPerf16

Due to strict internal controls on other allowances.

FinPerf17

Due to strict internal controls on other allowances

FinPerf18

Stricter controls on use of inventory.

FinPerf19

Due to material error in the budget.

FinPerf20

Due to increased capitalisation of projects.

FinPerf21

Reclassification of Human Settlements construction cost and underspending on other transfers and subsidies line items.

FinPerf22

Reclassification of INEP construction cost and underspending on other contracted services line items.

FinPerf23

No debt was written off by council during the year

FinPerf24

Improved performance by panel of service providers for human settlements projects.

FinPerf25

Variance is due to underspending on the animal feed processing plant grant, inclduing the disaster response grant.

FinPerf26

Due to nature of line item; can not predict during budget

Statement of cash flow

C1

Due to low revenue collection.

C2

61. Budget differences (continued)

Improved billing due to recent property developments and addition of new customer (St Barnabas Hospital) which has a higher tariff.

C3

Due to improved revenue collection

C4

Due to improved revenue collection

C5

Due to slow spending on some capital grants.

C6

Due to improved cash flow position.

C7

Due to improved expenditure controls on operating budget.

C8

Due to provisions for furture employee benefits and landfill site rehabiliattation

C9

Due to reclassification of transactions.

C10

Due to slow spending on some capital grants.

C11

Due to new leases

C12

Due to strict financial controls.

C13

Due to improved cashflow

Notes to the Annual Financial Statements

62. Segment information

General information

Identification of segments

The municipality is organised and reports to management based on the primary functional areas. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes. Aggregated segments were identified as the segments that generate economic benefits or service potential, and such segments are community and public safety, economic and environmental services, and trading services. Unallocatet services and Other segments were identified as those that do not generate service economic benefits but are of support services to other segments. Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

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Below are the segments:

Community and Public Safety
- Community and social services
- Sport and recreation
- Public safety
- Housing
- Health

Economic and enviromental services
- Planning and development
- Road transport
- Trading services
- Energy sources
- Waste management

Unallocated services include
- Mayor and Council
- Governance Finance and Administration
- Administration

Other include
- Tourism

Segment surplus or deficit, assets and liabilities

By function

	Community and public safety R	Economic and environmental services R	Trading Services R	Unallocated R	Total R
2025					
Segment revenue					
External revenue from non-exchange transactions	2 743 679	143 498 491	368 216 757	-	514 458 927
External revenue from exchange transactions	82 580 706	-	1 995 909	-	84 576 615
Interests on investments	-	-	51 327 122	-	51 327 122
Interest earned from receivables	-	-	4 555 460	-	4 555 460
Gain on disposal of assets	-	-	2 177 887	-	2 177 887
	85 324 385	**143 498 491**	**428 273 135**	**-**	**657 096 011**

Notes to the Annual Financial Statements

62. Segment information (continued)

Segment expenses					
Total segment expenses	163 278 110	25 281 761	210 945 835	-	399 505 706
Depreciation, amortisation and impairment	-	-	57 893 680	-	57 893 680
Impairment losses on financial assets	-	-	25 786 508	-	25 786 508
Interest expense	-	-	1 915 664	-	1 915 664
	163 278 110	**25 281 761**	**296 541 687**	**-**	**485 101 558**
Surplus for the year	**(77 953 725)**	**118 216 730**	**131 731 448**	**-**	**171 994 453**
Other information					
Segment assets	132 125 370	(136 280 222)	1 607 004 912	-	1 602 850 060
Segment liabilities	(94 037 324)	(34 775 086)	273 678 920	-	144 866 510

2024

Segment revenue					
External revenue from non-exchange transactions	2 861 449	80 362 549	350 531 987	-	433 755 985
External revenue from exchange transactions	3 745 249	-	31 750 780	-	35 496 029
Interests on investments	-	-	46 426 082	-	46 426 082
Interest earned from receivables	-	-	3 634 410	-	3 634 410
	6 606 698	**80 362 549**	**432 343 259**	**-**	**519 312 506**
Segment expenses					
Total segment expenses	120 356 742	26 043 409	198 946 238	-	345 346 389
Depreciation, amortisation and impairment	-	-	52 287 804	-	52 287 804
Loss on disposal of assets	-	-	7 283 395	-	7 283 395
Impairment losses on financial assets	-	-	12 499 307	-	12 499 307
Interest expense	-	-	1 847 802	-	1 847 802
	120 356 742	**26 043 409**	**272 864 546**	**-**	**419 264 697**
Surplus for the year	**(113 750 044)**	**54 319 140**	**159 478 713**	**-**	**100 047 809**
Other information					
Segment assets	(105 920 316)	(126 478 202)	1 666 264 190	-	1 433 865 672
Segment liabilities	(42 966 898)	(24 941 265)	216 525 024	-	148 616 861

63. Donations

Donations recieved	78 413	60 000